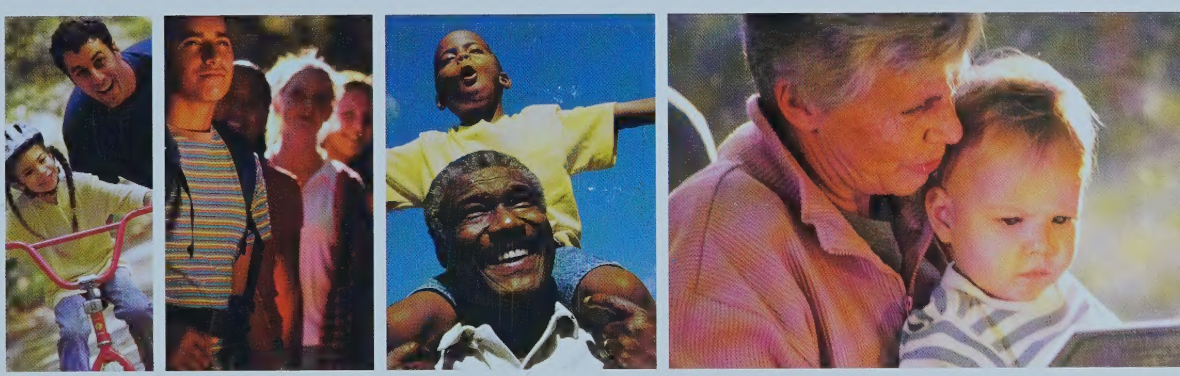
Leadership



INVESTORS GROUP INC.
2001 ANNUAL REPORT

Mackenzie
Building Financial Independence®

Investors Group™
SOLUTIONS BUILT AROUND YOU.℠

A FOUNDATION FOR LEADERSHIP

Table of Contents

Investors Group Inc. is one of Canada's premier mutual fund, managed asset and wealth creation companies. ● With over two million clients and more than $80 billion in assets under administration, Investors Group Inc. is the acknowledged leader in a growing industry. ● The Company's two operating units, Investors Group and Mackenzie Financial Corporation, offer their own distinctive products and services through separate advice channels encompassing over 40,000 Consultants and independent financial advisors. ● Investors Group Inc. is a member of the Power Financial Corporation group of companies, and its shares are listed on the Toronto Stock Exchange.

Financial Highlights

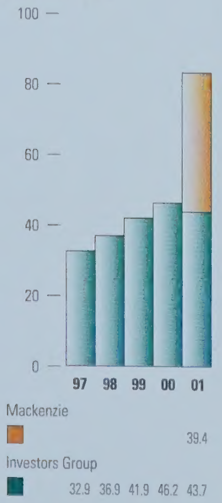
	2001	2000	Change
Net income available to common shareholders (in millions of dollars)			
Excluding goodwill amortization and restructuring costs	**$ 387.7**	$ 284.3	36.4%
Excluding goodwill amortization	**331.7**	284.3	16.7
Diluted earnings per share			
Excluding goodwill amortization and restructuring costs	**$ 1.564**	$ 1.348	16.0%
Excluding goodwill amortization	**1.338**	1.348	-0.7
Dividends per share	**0.730**	0.610	19.7
Return on equity			
Excluding goodwill amortization and restructuring costs	**19.6%**	28.1%	
Excluding goodwill amortization	**16.7%**	28.1%	

(in millions of dollars)

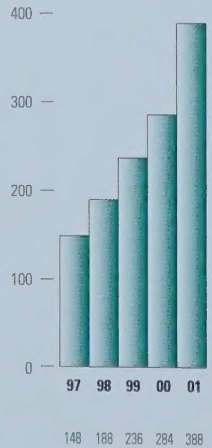
	2001	2000	Change
Mutual funds			
Investors Group			
Sales	**$ 6,027.0**	$ 7,053.1	-14.5%
Net sales	**1,030.6**	975.6	5.6
Assets under management [1]	**41,644.0**	44,498.4	-6.4
Mackenzie Financial Corporation [2]			
Sales	**3,451.7**	–	–
Net sales	**22.3**	–	–
Assets under management [1]	**33,399.6**	–	–
Combined mutual fund assets under management	**75,043.6**	44,498.4	68.6
Insurance in force (face amount)	**24,374.5**	20,876.1	16.8
Securities operations assets under administration [3]	**4,104.5**	2,645.9	55.1
Mortgages serviced [3]	**7,659.2**	7,147.0	7.2
Deposits and certificates [3]	**671.2**	219.0	206.5
Clients [3]	**2,624,614**	1,167,053	124.9%
Client accounts [3]	**9,488,293**	5,027,160	88.7
Consultants	**3,409**	3,483	-2.1
Employees [3]	**3,650**	2,050	78.0
Financial Planning Centres	**102**	102	–

(1) Assets of $2,214.5 million were transferred to Mackenzie on integration of Maxxum operations with Mackenzie effective October 5, 2001.
(2) From date of acquisition or as at December 31, 2001, for Canadian mutual fund operations only. (3) Includes Mackenzie Financial Corporation as at December 31, 2001.
Note: Certain comparative figures in this report have been restated to conform with current period presentation.

Client Assets under Management and Administration
As at December 31
(billions of dollars)

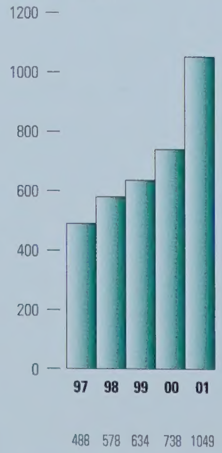


Net Income*
For the financial year
(millions of dollars)



*Excluding goodwill amortization and restructuring costs

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)*
For the financial year
(millions of dollars)



*Excluding restructuring costs

Report to Shareholders

The Company emerged from the year in a position of clear and undisputed leadership in a highly attractive and growing industry.

In 2001, Investors Group Inc. produced strong financial results and completed the most significant transaction in its history – the acquisition of Mackenzie Financial Corporation. The Company emerged from the year in a position of clear and undisputed leadership in a highly attractive and growing industry.

The year was one of turmoil, in which terrible events and difficult economic conditions created many hardships for individuals and organizations around the world. Financial services companies and their clients had to cope with many stresses as well, as financial markets were both weak and highly volatile. The Company and its clients were not immune to these challenges. The calmness and resolve demonstrated by our clients, employees, Consultants and independent financial advisors during this period has served to create its own sense of strength and confidence to build upon into the future.

FINANCIAL RESULTS

Against this backdrop, the Company achieved another year of strong earnings growth. The Company's financial performance reflects the inclusion of Mackenzie's results from April 20, 2001 and the financing of this transaction. Reduced commission expenses offset the effects of lower sales of long term mutual fund products and asset levels that were negatively impacted by weak financial markets.

Net income available to common shareholders for the year, prior to the amortization of goodwill and a restructuring charge taken during the year relating to the acquisition of Mackenzie, was $388 million, compared to $284 million in 2000, an increase of 36.4%. Diluted earnings per share on the same basis were $1.56 in 2001 compared to $1.35 in 2000, an increase of 16.0%. After goodwill amortization and the restructuring charge, net income available to common shareholders in 2001 was $260 million or $1.05 per share. Dividends per share increased for the twelfth consecutive year, rising 12 cents to 73 cents.

CREATING A POSITION OF LEADERSHIP

The acquisition of Mackenzie has provided the Company with a leading position in the independent financial planner and full service broker channels, through one of the country's premier manufacturers and distributors of mutual funds and other managed asset products. Investors Group Inc. had previously indicated its intention to service these channels through the build-up of Maxxum. The transaction changed the means and greatly accelerated the execution of the Company's strategy in this regard. With Mackenzie becoming available, the Company was able to capitalize on its strong financial position and that of the Power Financial group to successfully complete the acquisition.

Mackenzie was attractive to the Company for many reasons, including its successful focus on a different sector of the market than that of the Company's existing operations. Accordingly, Mackenzie will operate separately, with its own investment management, marketing and distribution, brands and corporate

The priority for 2002 shifts strongly to execution.

leadership. Notwithstanding this approach, there are many opportunities for significant revenue synergies, and cost synergies in areas such as back office, systems and supplier relationships. These will benefit both our shareholders and clients. By the third quarter of 2001, the benefits of merging Maxxum into Mackenzie were already being realized.

The mutual fund industry and more broadly, the wealth management industry enjoy significant growth prospects, and that has attracted very capable and determined competition. This has intensified as the major Canadian banks and globally-based fund management organizations increase their activities in this market.

This is truly a competitive arena. However, the Company benefits from formidable advantages:

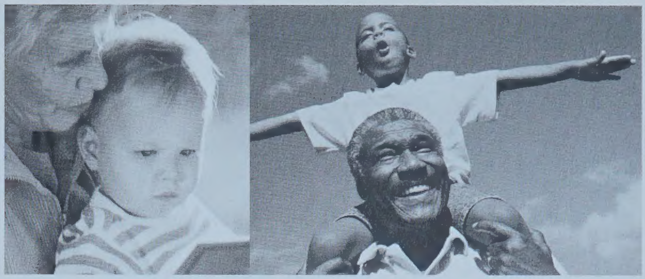
- The largest mutual fund client base in Canada, with over 2 million clients.
- Strong and diversified distribution through a 3,400 person in-house Consultant Network, through relationships with the vast network of independent financial advisors and through access to over 3,800 Great-West Life and London Life advisors and agents.
- The scale provided from managing $80 billion in client assets, with a resulting ability to develop, manufacture and distribute competitive products and services on a cost-effective basis well into the future, and augmented by Mackenzie's well-deserved reputation for innovative product development.
- A superior product shelf diversified by brand, style and asset category, including a combined 284 mutual funds, 49 segregated funds, 4 asset allocation programs, 40 sub-advisors and 18 fund brands, and including insurance, securities and banking products.
- Highly regarded and globally-based investment management operations, with strong fund performance records on both a short and long-term basis, and a reputation strengthened by having protected our clients' assets very well through the difficult markets of 2001.
- Financial strength and stability in our own right, together with the benefits of being part of the broader Power Financial group of companies.

EXECUTION TAKES THE LEADING ROLE

If 2001 was a year in which the Company moved strategically to create a leading position on which to base future growth, then the priority for 2002 shifts strongly to execution.

Our execution efforts will be focused on three priorities:

1) Realizing on the revenue and cost opportunities flowing from the Mackenzie transaction, and doing so in a manner which allows Mackenzie and through it, the thousands of independent financial advisors who distribute its products, to flourish and grow.
2) Achieving higher growth in asset levels, following a period in which both the industry's and our own operating companies' asset growth has been below their long term potential.
3) Containing the growth in expenses.



These objectives are simple and straight-forward, and the many men and women who work for and with our Company are committed to achieving them.

RECOGNIZING LEADERSHIP

On May 1, 2001, Mr. H. Sanford Riley stepped down as President and Chief Executive Officer after nine years in the position to become Chairman of the Board of Directors. During Sandy Riley's tenure, Investors Group Inc. produced a strong record of growth in both assets and earnings, and maintained its position of leadership in the highly competitive mutual fund industry. Mr. Riley's experience and skills have made him ideally suited to focus on ensuring success in the various transition projects underway to realize on the opportunities made possible by the Mackenzie transaction. The Board of Directors wishes to recognize Mr. Riley's significant contributions to the success of Investors Group Inc. in his role as President and Chief Executive Officer.

Mr. Riley's successor is Mr. Jeffrey Orr, who joined the Company after a twenty year career in the financial services industry with BMO Nesbitt Burns, serving most recently as its Chairman and Chief Executive Officer and also as Vice-Chair, Investment Banking Group, Bank of Montreal. The Board of Directors is confident that under Mr. Orr's leadership the Company will continue to grow and prosper.

BOARD OF DIRECTORS

Five new directors joined the Board in 2001, reflecting the composition and scope of the expanded Company. They include: Alexander Christ, Past Chairman, Mackenzie Financial Corporation; Alan J. Dilworth, President, Alan J. Dilworth Consulting Inc.; James L. Hunter, President and Chief Executive Officer, Mackenzie Financial Corporation; Raymond L. McFeetors, President and Chief Executive Officer, Great-West Life and London Life; and R. Jeffrey Orr, President and Chief Executive Officer, Investors Group Inc.

Committed to seizing the many opportunities that are ahead of us.

LOOKING TO THE FUTURE

This past year has been one in which Investors Group Inc. underwent much change – change that positioned the Company for continued leadership in an attractive industry. We wish to extend our thanks to our shareholders, clients, employees, Consultants and independent financial advisors for their support and confidence. We look to the future committed to seizing the many opportunities that are ahead of us for the benefit of all of our many stakeholders.

On behalf of the Board of Directors,

R. Jeffrey Orr
President and Chief Executive Officer
Investors Group Inc.
January 31, 2002

Focusing on the total financial needs of our clients

INVESTORS GROUP

SOLUTIONS BUILT AROUND YOU.™

Investors Group Report on Operations

R. Jeffrey Orr

President and Chief Executive Officer, Investors Group Inc.

Investors Group is one of Canada's leading financial services companies with $41.6 billion in assets under management, and a network of 3,400 Consultants nationwide. These Consultants provide personal financial solutions to more than one million clients from coast to coast, including investment planning and management, retirement planning and tax and estate planning.

Investors Group has a strong tradition of investment management with global operations in Winnipeg, Toronto, Montréal, Dublin and Hong Kong. Investors Group offers a full range of investments through its Investors Masterseries™ and externally advised funds, along with a broad selection of insurance, mortgage and securities products and services. In addition, *Solutions Banking*™ products and services will be offered to clients through an exclusive arrangement with CIBC in the upcoming year.

As a member of the Power Financial group of companies, Investors Group has access to 3,800 advisors and agents through its sister companies, Great-West Life and London Life.

THE BUSINESS

Building enduring relationships

For 76 years, Investors Group has built enduring client relationships through long-term financial planning. Our focus is on the total financial needs of our clients, and we offer a comprehensive selection of financial planning and wealth management products, services and advice in support of that objective.

Investors Group is committed to providing our Consultant Network with the products, training and professional support they need to build enduring client relationships. This enables Consultants to deliver personal financial solutions tailored to each client's individual needs. Consultants recommend balanced, diversified and professionally managed investment portfolios that reflect the client's long term goals and their tolerance for risk. They also provide knowledgeable investment planning, retirement planning, tax planning and estate planning advice, which add significant value to clients.

The value of these client relationships was demonstrated during the uncertain market conditions of 2001. In the days following September 11th, Investors Group investment experts supplied immediate market and historical analyses to our Consultants, who provided this perspective and guidance to clients. This reinforced to clients the value of our knowledge and experience, along with the benefits of keeping their investment focus on the long term. Despite the market turbulence during the year, client assets were protected from the heightened volatility and weathered the storm well.

Leading Products, Services and Support

Investors Group has the scale, strategic partnerships and financial strength to provide a comprehensive suite of industry-leading products, services and support to clients and Consultants.

Investors Group Consultant Miles Schiller (right) builds enduring relationships with clients like George Knispel of Lloydminster.

Strength, stability and sustained corporate growth

This includes product and service breadth, innovation and exclusivity that leads the marketplace:

- A selection of 48 exclusive Investors Masterseries™ funds managed by Investors Group's global investment management team.
- 32 partner funds in association with AGF, Beutel Goodman, Fidelity, Janus, Maxxum, Sceptre, Scudder and Templeton.
- Unique specialty products such as:
  - *i*Profile™ – a managed asset program for the higher net worth investor, directed by our global investment management team and such world-leading international money-management firms as Goldman Sachs Funds Management, Alliance Bernstein Investment Management, Provident Investment Counsel and Jarislowsky Fraser.
  - 1World™ – a program of multi-manager funds for clients seeking a simplified, one-step solution to their investments.
- Securities services through Investors Group Securities Inc.
- A range of insurance options from Great-West Life, Clarica, Manulife Financial, Maritime Life and Sun Life.
- Mortgage services through Investors Group mortgage specialists across Canada.
- Investment, retirement, tax and estate planning advice.

These products and services, combined with our Consultants' ability to tailor them into a customized, personal plan to meet each client's needs, have provided Investors Group with strength, stability and sustained corporate growth.

2001 RESULTS

Investors Group achieved positive results in 2001, a year that provided significant challenges across the financial services industry.

Mutual Funds

- Net sales through Investors Group's Consultant Network were up 125.7% over the previous year to $837 million.
- The redemption rate on long term funds was down to 9.6% from 11.7% a year ago.

Insurance

- Sales of insurance products were up 16.3% to $30.9 million for the year.

Securities Operations

- Assets under administration increased by 26.7% during the year.
- External assets gathered totalled $1.2 billion in 2001, equalling 2000 figures.

Mortgages

- Mortgage originations increased by 11.1% to $936 million in 2001.

Building on our strengths

Delivering strong client service in an efficient and economic fashion is one of Investors Group's most important objectives.

During 2001, we focused on:

- Directing resources toward initiatives that had direct benefits to clients and Consultants, such as the *Business Link* order entry system, the initial phases of which were rolled out to Investors Group's Consultant Network in 2001.

Building a reputation for excellence in execution

- Improving client service and Consultant productivity by enhancing the training programs offered through Investors Group Institute.
- Controlling expenditures through the management of staffing levels and the elimination of various discretionary expenses.
- Capitalizing on economies of scale, through relationships with Mackenzie, Great-West Life and London Life, specifically in the areas of administration, technology and product distribution.

LEADERSHIP IN THE COMMUNITY

Investors Group's commitment to clients also extends to the communities where we live and work. Over the years, the Investors Group name has been associated with the *Imagine* program through our support of the arts, culture, amateur sport and education programs across Canada. In 2001, we invested more than $4.2 million in Canadian communities and established the Investors Group Ensemble™ Program to further support grassroots initiatives that benefit local communities. This program allows Investors Group to bring even more vitality and scope to these very worthwhile activities while recognizing the efforts of our Consultants and employees who volunteer their time and skills to improve the local quality of life.

CHALLENGES FOR 2002

Investors Group has, for many years, experienced significant growth in assets as a result of net sales of mutual funds and other products and a rise in the value of those funds. In 2000 and 2001, these growth rates slowed from their historical levels, consistent with market and industry conditions overall. Although the long term growth prospects for Investors Group are excellent, in the immediate term there will be a high degree of focus on containment of operating expenses, careful selection of new initiatives and strong execution of those initiatives.

Investors Group is focused on building a reputation for excellence in execution through effective planning set against realistic time-frames and implementation schedules. In 2002, we will work diligently to execute in the following areas:

- Derive further benefits from Investors Group's relationship with Mackenzie. The year ahead will focus on achieving additional expense and revenue opportunities in corporate operations, shared services and other areas.
- Accelerate the level of growth in client assets, assisted in part by the introduction of new banking, brokerage and mutual fund products during the year.
- Continue to control expenses with close management of staffing and discretionary costs.

LEADERSHIP FOR THE FUTURE

Investors Group has a strong leadership position in the Canadian financial services industry. This position continues to be enhanced by our affiliations with members of the Power Financial group of companies, and our relationship with Mackenzie. Investors Group will continue to build on our financial services platform with the addition of banking services in conjunction with CIBC, along with new product development with the assistance of Mackenzie. We are committed to sustained growth, and sharing the benefits of that growth with our many stakeholders for years to come.

The widest and most innovative product array in Canada

Mackenzie
Building Financial Independence®

Mackenzie Financial Corporation Report on Operations

James L. Hunter
President and Chief Executive Officer, Mackenzie Financial Corporation

Mackenzie is an integrated financial services company that operates in North America and globally through partner sub-advisor firms. Mackenzie is comprised of three business units:

- Canadian Asset Management Operations – markets and manages mutual funds in Canada through Mackenzie Financial Services Inc.; manages assets for private individuals and organizations in a separate account business.
- Trust and Administrative Services – offers financial products and services through M.R.S. Trust Company, Multiple Retirement Services Inc., M.R.S. Securities Services Inc. and Winfund Software Corp. (together MRS).
- U.S. Asset Management Operations – markets and manages mutual funds and separate accounts in the United States through our majority-owned subsidiary, Mackenzie Investment Management Inc., a public company with its own listing on the Toronto Stock Exchange (symbol MCI).

Mackenzie's core business is the management of mutual funds in Canada. With over 1,500,000 clients and $33.4 billion in assets under management, Mackenzie provides investment management, marketing and administrative services for 176 mutual funds and 41 segregated funds including such well-recognized and trusted brands as Cundill, Ivy, Mackenzie, Maxxum and Universal as well as the Star and Keystone asset allocation programs. Mackenzie is Canada's second largest mutual fund company serving the independent financial planner and full service broker channels.

Mackenzie enjoys an excellent reputation within the financial services industry – a result of providing its clients with innovative financial products, quality service and industry-leading support and education. Mackenzie's multiple distribution and support capability is the foundation of its relationship with over 37,000 independent financial advisors, enabling Mackenzie to deliver consistently strong financial performance.

THE BUSINESS

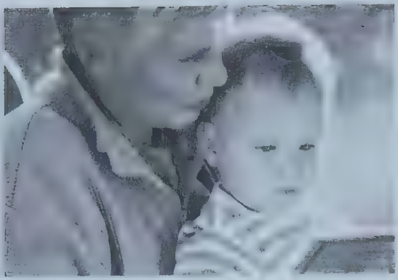
Strength through diversification

Mackenzie's range of investment choices is a key advantage in attracting independent financial advisors to our funds. Our in-house investment management capability is widely acknowledged as among the best in the industry and, through partnerships with prominent domestic and international sub-advisors, Mackenzie provides investment management services across a complete spectrum of geographic areas and market segments.

Mackenzie offers the widest and most innovative product array in Canada. The Universal Funds, whose hallmark is offering investment management on a global, regional and

Mackenzie has a strong reputation for product innovation,
through the efforts of David Feather (left),
Jim Fraser and their team.

Active management proved its value



sector-specific or specialist basis continued its development with the launch of Universal Growth Trends Capital Class in August, 2001. The Ivy and Cundill fund families, which are defined by their distinct investment styles, both made inroads in reaching a greater audience of Canadian households this past year.

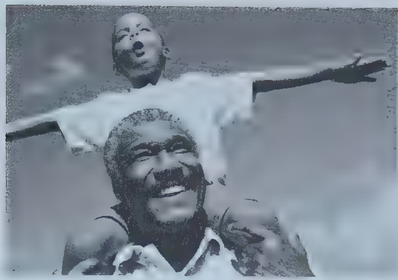
On October 5, 2001 the Maxxum operations were integrated with Mackenzie. As a result, Mackenzie was able to develop an association with Janus, a well-recognized growth manager based in the U.S., offering two funds with management teams that have unique attributes. We also retired the Industrial Funds brand merging it with the repositioned Maxxum Funds.

The strength of our products and the expertise of our portfolio managers were never more evident than in the turbulent markets of the past year. In a period of deteriorating stock markets, global recession and terrorist activity, Mackenzie's relative investment performance was superior. Most importantly, at December 31, 2001, Mackenzie had more Morningstar 5-star ratings than any other mutual fund company in Canada – once again, our active investment management proved its value in times of crisis.

Leadership through product innovation

The depth of Mackenzie's resources also allows us to be leaders and innovators in our industry. In 2001, Mackenzie continued to enhance its reputation and tradition for innovation through the launch and refinement of products that will broaden sales into new markets:

- Multi-Class Shares – a flexible fund platform that allows Mackenzie to develop pricing flexibility for virtually any market segment or investment objective. This allows us to better meet the needs of independent financial advisors and their clients, institutional investors, group plans, and high net worth investors.
- Mackenzie Tax Managed Capital Class Funds – designed to minimize taxes on investment income and capital by providing tax-deferred switching between funds. Similar future products will provide independent financial advisors with the capability to solve a number of complex tax planning issues.
- Managed Yield Funds – part of our Capital Class structure, this innovative tax-efficient product provides an alternative to money market instruments, where fund distributions may be categorized as capital gains or dividends and, as such, are taxed at substantially lower rates than interest income produced by competitive products.
- RRSP Eligible Funds – a Mackenzie innovation that is currently being refined to reduce its cost to investors seeking foreign diversification and superior returns in the larger global capital markets.
- Alternate Asset Strategies – Mackenzie launched its first hedge funds in 2001 and will make these products available to retail investors in 2002. With Vengrowth, Mackenzie also administers one of the largest groups of labour sponsored venture capital funds in Canada.



Innovations have been critical to the support we provide

Leadership through business innovation

Mackenzie has demonstrated leadership in back office productivity, system scalability, open information systems, industry data standards and initiatives such as FundSERV that will serve our operations well into the future. In 2001, we accomplished:

- The completion of major long term systems initiatives – including indexing, imaging and workflow of all major transaction streams. These initiatives provide a solid foundation for future scalability, productivity improvements and cost reductions.
- The introduction of web trading to independent financial advisors at MRS and web account access at both MRS and Mackenzie for all independent financial advisors and their clients.

2001 RESULTS

Mackenzie's share of the total Canadian mutual fund market for long term equity, balanced and fixed income funds increased to 8.5% at December 31, 2001 from 8.1% as at December 31, 2000, as reported by the Investment Funds Institute of Canada. Mackenzie ended the year with positive net sales overall primarily as a result of strong sales of money market funds. Sales of long term funds were disappointing given Mackenzie's performance results and will clearly be a focus in the year ahead. Mackenzie's total Canadian mutual fund assets under management increased to $33.4 billion as at December 31, 2001 from $31.7 billion as at the corresponding date last year, primarily a result of integrating Investors Group's Maxxum Funds with Mackenzie.

Mackenzie's profitability is leveraged to improving markets, net sales, and the resultant increase in assets under management. Accordingly, Mackenzie was not immune to the decline in global markets. Management responded quickly to contain all discretionary expenditures. These cost initiatives and the business innovations previously described provide Mackenzie with a more competitive cost structure designed to respond to the potential for future growth while maintaining a prudent cost structure if current economic conditions continue.

LEADERSHIP FOR THE FUTURE

Mackenzie's innovations have been critical to the support we provide independent financial advisors and the growth of our business in general. We fully expect the above initiatives and those currently under development will be a crucial success factor to capture the benefits of an improving economy for our unitholders and independent financial advisors. 2001 was a year of tremendous change for Mackenzie and the broader world of which we are a part. We are especially thankful for the efforts and support of our directors, employees, independent financial advisors, and fund investment advisors. Looking forward, management is committed to do our best to ensure that the faith of all our stakeholders continues to be well rewarded.

LEADERSHIP FOR THE FUTURE

Investors Group Inc. has a long and proud tradition of leadership in the Canadian financial services industry. ● The Company is dedicated to building on its leadership position to generate strong and continued growth into the future. ● The Company's two operating units, Investors Group and Mackenzie, will support each other in ways that sustain and enhance the quality of the advice, service and products offered to Canadians, while remaining separate in their respective organization, product brands, distribution channels and investment management operations. ● The Company will continue to leverage its relationship with Great-West Life and London Life to work together in areas of mutual benefit.

TABLE OF CONTENTS

Management's Discussion and Analysis

Financial Review

Leadership

Forward-Looking Statements

This report includes forward-looking statements about objectives, strategies and expected financial results. These statements are inherently subject to risks and uncertainties beyond the Company's control including, but not limited to, economic and financial conditions globally, regulatory developments in Canada and elsewhere, technological developments and competition. These and other factors may cause the Company's actual performance to differ materially from that contemplated by forward-looking statements, and the reader is therefore cautioned not to place undue reliance on these statements.

Investors Group Inc.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

Investors Group Inc. (Company) acquired Mackenzie Financial Corporation (Mackenzie) effective April 20, 2001. Operating results include the results of Mackenzie from the date of acquisition.

For 2001, net income available to common shareholders, excluding goodwill amortization and a restructuring charge related to the acquisition of Mackenzie, was $387.7 million. This represents an increase of 36.4% over 2000 earnings of $284.3 million. Diluted earnings per share, excluding goodwill amortization and restructuring costs, were $1.56 up 16.0% from $1.35 in 2000.

After accounting for the restructuring charge of $95.6 million ($56.0 million after-tax), net income available to common shareholders in 2001 was $331.7 million excluding goodwill amortization and $259.7 million including goodwill amortization as reported in the consolidated financial statements. On the same basis, diluted earnings per share in 2001 were $1.34 and $1.05 respectively.

Shareholders' equity was $2.68 billion as at December 31, 2001, up from $1.10 billion at December 31, 2000. Return on average common equity, excluding goodwill amortization and restructuring costs, was 19.6%, compared with 28.1% in 2000. The quarterly dividend per common share was increased to 19 cents (76 cents annually) in 2001.

As a result of the acquisition of Mackenzie, the Company revised its reportable segments from fee-based operations and intermediary operations to Investors Group, Mackenzie, and Corporate and Other to conform to the current organizational structure. Management measures and evaluates the performance of these segments based on earnings before interest and taxes as shown on Table 1.

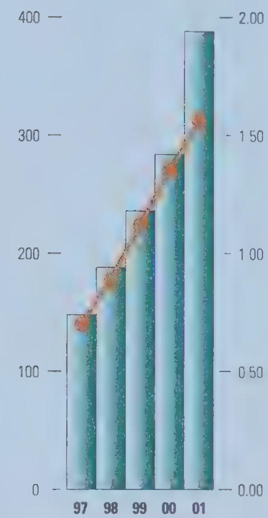
On October 5, 2001, the operations of Maxxum Fund Management Inc. and Maxxum Financial Services Co. (together Maxxum) were integrated with Mackenzie. Maxxum results subsequent to the integration are reported in the Mackenzie segment.

Discussion of segment results for Investors Group and Mackenzie is contained later in this report. Corporate and Other represents net investment income earned on unallocated investments. Corporate and Other net investment income in 2001 totalled $43.8 million compared to $56.0 million in 2000. The decrease in net investment income is due to financing activities related to the acquisition of Mackenzie.

Net Income and Diluted Earnings per Share*

For the financial year

(millions of dollars) (dollars)



Diluted EPS

● 0.70 0.89 1.12 1.35 1.56

Net Income

■ 148 188 236 284 388

Net Income Growth %

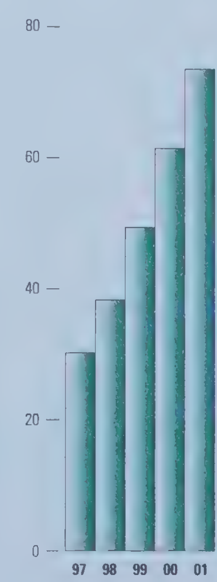
25.5 27.7 25.1 20.7 36.4

**Excluding goodwill amortization and restructuring costs*

Dividends per Share

For the financial year

(cents)



30 38 49 61 73

Table 1: Consolidated Operating Results by Segment

(Excluding goodwill amortization)

	Investors Group		Mackenzie		Corporate & Other		Total	
(in millions of dollars)	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
Fee income	**$ 1,091.7**	$ 1,075.5	**$ 557.4**	$ –	**$ –**	$ –	**$ 1,649.1**	$ 1,075.5
Net investment income and other	**76.8**	65.6	**14.5**	–	**43.8**	56.0	**135.1**	121.6
	1,168.5	1,141.1	**571.9**	–	**43.8**	56.0	**1,784.2**	1,197.1
Operating expenses								
Commissions	**278.3**	357.2	**218.6**	–	**–**	–	**496.9**	357.2
Non-commission	**300.3**	330.3	**219.7**	–	**–**	–	**520.0**	330.3
	578.6	687.5	**438.3**	–	**–**	–	**1,016.9**	687.5
Earnings before interest and taxes	**$ 589.9**	$ 453.6	**$ 133.6**	$ –	**$ 43.8**	$ 56.0	**767.3**	509.6
Restructuring costs							**95.6**	–
Interest expense							**73.2**	2.9
Net income before taxes and non-controlling interest							**598.5**	506.7
Income taxes							**253.0**	222.4
Non-controlling interest							**0.5**	–
Net income excluding goodwill amortization							**345.0**	284.3
Preferred dividends							**13.3**	–
Net income available to common shareholders								
Excluding goodwill amortization							**$ 331.7**	$ 284.3
Excluding goodwill amortization and restructuring costs							**$ 387.7**	$ 284.3

Expenses reflected in Table 1 that are not allocated to segments include restructuring costs and interest expense.

Restructuring costs

The Company recorded a restructuring charge of $95.6 million in the second quarter of 2001 relating to the acquisition of Mackenzie. Costs include:

- Integration of Maxxum's operations with Mackenzie.
- Restructuring of trust company and securities operations.
- Product shelf realignment and restructuring sub-advisor relationships.
- Restructuring administrative and corporate operations.
- Decommissioning redundant systems and software.
- Reorganizing to create shared services operations for information technology and back office operations.

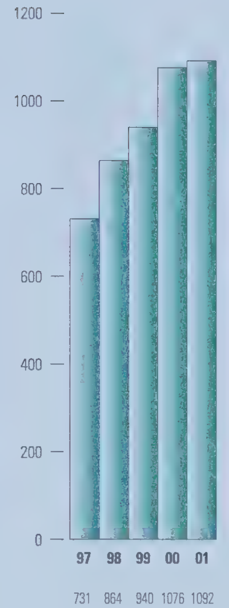
Expenditures in 2001 totalled $10.4 million and related primarily to the integration of Maxxum's operations with Mackenzie. The transition was completed effective October 5, 2001. At December 31, 2001 the unexpended portion of the restructuring provision was $85.2 million.

Interest expense

Interest expense totalled $73.2 million in 2001. Of this amount, $70.5 million related to the financing costs of the Mackenzie acquisition. Other interest expense relates to long term debt utilized to fund capital expenditures.

Investors Group

Fee Income – Investors Group
For the financial year
(millions of dollars)



REVIEW OF THE BUSINESS

Investors Group's core business is to provide a comprehensive array of personal wealth creation and financial planning services to Canadians through its network of highly trained and well-supported Consultants.

Investors Group earns revenue primarily from management fees for advising and managing its mutual funds, fees charged to its mutual funds for administrative and trustee services and distribution fees charged to account holders for the distribution of its mutual funds by Investors Group's Consultants. Revenue is also earned from the distribution of insurance products and securities services. Additional revenue is derived from investment certificate operations and mortgage operations.

Investors Group's revenues depend largely on the value and composition of assets under management. Fluctuations in financial markets can affect revenues and operating results. By offering a broad range of products and services to meet the varied needs and objectives of individual clients, Management believes that the base of assets under management is secure and able to withstand downward pressure on revenue caused by market volatility. The effectiveness of this approach has been demonstrated by consistent levels of sales and by redemption rates for Investors Group's mutual funds that are among the lowest in the industry.

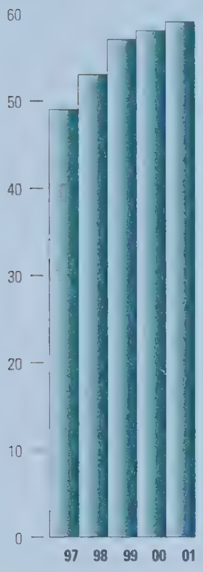
Segment Strategy

Investors Group continually reviews its strategy to ensure that it is appropriate for both the current financial services environment and any anticipated changes that would affect the industry. Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible.

Investor Group's business model embraces current trends in the Canadian wealth management industry and, as a consequence, its strategic plan focuses on three key themes:

1. Emphasizing the delivery of financial planning advice, products and services through its dedicated network of highly trained and well-supported professional Consultants.
2. Extending the diversity and range of products offered by Investors Group to continue to compete effectively by meeting the changing needs of its broad spectrum of clients.
3. Maximizing returns on business investment by:
   - Capitalizing on economies of scale through its relationship with Mackenzie, Great-West Lifeco Inc., and London Insurance Group Inc.
   - Controlling expenditures through the management of staffing levels, improved productivity, effective and continual investments in technology, and the management of discretionary expenses.
   - Directing resources to initiatives that have direct benefits to clients and Consultants. These initiatives include enhanced training programs and the development of the *Business Link* order entry system which will improve client service and increase Consultant productivity.

Consultants with > 4 years with Investors Group
As at December 31
(%)



% > 4 years

	97	98	99	00	01
% > 4 years	49	53	57	58	59
Total Consultants	3507	3774	3626	3483	3409

Core Business

CONSULTANTS

Investors Group distinguishes itself from its competition through its distribution network of highly knowledgeable and professional Consultants who are associated with 102 Financial Planning Centres located across Canada.

There is constant pressure on Investors Group to retain Consultants and to respond to the recruiting initiatives of other organizations. Management believes that it has effectively responded to these challenges by revising compensation levels, increasing training and support and broadening the scope of products and services to develop an attractive platform for Consultants. Investors Group is confident that it will continue to attract and retain highly qualified professionals as it further enhances the quality and scope of its offer to Consultants.

In 2001, Investors Group continued the redesign of its Consultant recognition and training programs. These programs are aligned to meet the key strategic objectives of client service, the continued growth of a highly productive Consultant network and asset retention. Compensation programs for Consultants are also aligned with these objectives as they are based on asset levels and productivity. Investors Group expects that these initiatives will ensure that it remains competitive in the marketplace.

Recruiting and retention

Changes in Investors Group's recruiting practices in recent years have emphasized the hiring of top-quality candidates. Investors Group is extremely selective, seeking individuals with backgrounds in financial services or in related industries and professions. While this approach has resulted in fewer Consultants being recruited – recruits in 2001 totaled 677 – the likelihood that they can develop successful relationships with clients has increased significantly.

At the end of 2001, Investors Group had 3,409 Consultants in its distribution network, the largest network of Consultants in Canada. The percentage of Consultants with more than four years experience continued to increase, climbing to 59.2% from 58.5% a year earlier. This measure indicates growth in the proportion of Consultants who have successfully established themselves with Investors Group.

Training

Investors Group's training programs continue to evolve to meet the changing needs of clients and Consultants. The training programs provide Consultants with the essential building blocks they need to grow their business:

- Consultants begin their relationship with Investors Group by attending the newly redesigned *Career Training 1* program, which involves nine weeks of full-time study in all aspects of personal financial planning and has been accredited by The Canadian Institute of Financial Planning as the equivalent of the first course of the Certified Financial Planner (CFP) accreditation program.
- Consultants further develop their skills as financial planners by attending *Career Training 2* approximately nine months after they successfully complete *Career Training 1*.
- Subsequent training programs are targeted towards assisting Consultants who have adopted a more team oriented approach to financial planning. This training will be developed further throughout 2002.
- Ongoing training and development is also provided by Regional Directors, Associate Regional Directors and local training consultants.

Investors Group has instituted a series of advanced educational conferences that leading Consultants can qualify to attend throughout the year. These conferences feature industry-leading professionals who provide superior instruction on the key elements of a successful financial planning practice.

Advanced training will continue to be provided by the Investors Group Institute. The continued development of the Institute demonstrates Management's emphasis on the importance of highly trained financial consultants. Investors Group fully supports ongoing initiatives by the financial services industry to introduce uniform qualification requirements for use of the "financial planner" designation. In anticipation of this, all new Consultants are required to achieve their CFP designation, or the equivalent in the province of Quebec, by the end of their fifth year with Investors Group.

Productivity

Investors Group continues to emphasize the importance of Consultant productivity and client service through a number of corporate initiatives. In 2001, Investors Group:

- Launched *Business Link*, an online order entry system designed to improve the administrative process by allowing the smooth flow of orders directly from Consultants into Investors Group's record keeping systems without any human intervention. This has made the administrative process more efficient, allowing Consultants to spend more time on what they do best – providing financial planning and advice for their clients.
- Continued to enhance Investors Group Advantage™ Plus, the private Web site exclusive to the Consultant Network. Investors Group Advantage™ Plus provides secure access to product and marketing information, mutual fund prices and rates, financial planning reference material, marketing tools and calendars, client statements and Investors Group Securities Inc. client information. New this year is *Marketing Planner*, a sophisticated marketing tool designed exclusively for relationship marketing.
- Upgraded the underlying technical structure of the systems that support the Financial Planning Centres.

PRODUCTS AND SERVICES

One of Investors Group's major objectives is to provide clients with an extensive range of financial products and services to help them achieve their financial goals. Over the past several years, many strategic additions to the product shelf have enabled Investors Group Consultants to deliver a well-tailored asset allocation solution that meets the individual portfolio and investment needs of each client.

Mutual funds

Investors Group is committed to enhancing the scope and diversity of investment products for its clients thereby ensuring Consultants have a complete product offering to help clients create comprehensive financial plans. Since 1995, 68 new funds have been offered to Investors Group clients. At December 31, 2001, total assets in these funds were $10.9 billion.

Sales

During the year, sales of Investors Group mutual funds were $6.0 billion. This represented a 14.5% decrease from the record $7.1 billion level achieved in 2000 and compared to an overall industry decrease of 3.1%. Excluding the sale of money market funds, Investors Group's mutual fund sales decreased 17.7%, compared to a 25.0% decrease for the industry. Mutual fund redemptions totalled $5.0 billion in the year, a decrease of 17.8% from the $6.1 billion recorded in 2000.

Net sales of Investors Group mutual funds in 2001 were $1,031 million, an increase of 5.6%, compared with $976 million in 2000. Excluding Maxxum, net sales were $837 million in 2001, an increase of 125.7%, compared with $371 million in 2000.

Investment management

Investors Group is the largest mutual fund manager in Canada and has in excess of $41 billion in mutual fund assets under management in 94 mutual funds that cover a full range of mandates, styles and geographic focuses. Through relationships with external investment advisors, in the form of 32 partner funds, Investors Group provides clients with access to a wide range of investment advisory services and investment management styles.

Investors Masterseries™ Funds

Investors Masterseries™ includes 48 proprietary mutual funds managed by a multi-disciplinary team of investment professionals strategically located around the world. With operations in Winnipeg, Toronto, Montreal, Dublin and Hong Kong, and advisors in London, Investors Group has the global reach with local insight necessary for sound investment decisions.

Investors Group continued to enhance its global investment capabilities in 2001 by adding three new Masterseries™ funds. The Investors Global Financial Services Fund is designed to capitalize on the strong global growth in large financial companies worldwide. Investors Pan Asian Growth Fund invests in Asian high growth industries such as telecommunications, technology and financial services. As well, Investors Group added to its global series RSP fund line with the Investors Global Science & Technology RSP Fund.

Table 2: Sales of Financial Products and Services – Investors Group

(in thousands of dollars)	**2001**	2000	Increase (Decrease)	Change
Mutual Funds				
Investors Group Consultant Network				
Investors Masterseries™				
Equity	**$ 1,850,020**	$ 2,434,513	$ (584,493)	(24.0)%
Balanced	**1,086,460**	1,054,929	31,531	3.0
Fixed income	**488,506**	297,329	191,177	64.3
Money market	**1,147,397**	1,158,990	(11,593)	(1.0)
	4,572,383	4,945,761	(373,378)	(7.5)
Partner funds				
Equity	**751,301**	891,171	(139,870)	(15.7)
Balanced	**63,466**	95,394	(31,928)	(33.5)
Fixed income	**37,339**	34,472	2,867	8.3
	852,106	1,021,037	(168,931)	(16.5)
*i*Profile™ funds	**95,323**	–	95,323	–
Sales	**5,519,812**	5,966,798	(446,986)	(7.5)
Redemptions	**4,683,240**	5,596,209	(912,969)	(16.3)
Net Sales	**$ 836,572**	$ 370,589	$ 465,983	125.7 %
Maxxum Channel [1]				
Sales	**$ 507,206**	$ 1,086,285	$ (579,079)	(53.3)%
Redemptions	**313,163**	481,236	(168,073)	(34.9)
Net Sales	**$ 194,043**	$ 605,049	$ (411,006)	(67.9)%
Combined				
Sales	**$ 6,027,018**	$ 7,053,083	$ (1,026,065)	(14.5)%
Redemptions	**4,996,403**	6,077,445	(1,081,042)	(17.8)
Net sales	**$ 1,030,615**	$ 975,638	$ 54,977	5.6 %
Securities Operations	**$ 1,234,843**	$ 1,234,426	$ 417	– %
Mortgage Originations	**936,392**	843,166	93,226	11.1
Deposits	**60,783**	105,455	(44,672)	(42.4)
Insurance (annualized premiums)	**30,881**	26,550	4,331	16.3

[1] includes Maxxum results to September 30, 2001. Subsequent activity was reported by Mackenzie as a result of the integration of Maxxum into Mackenzie effective October 5, 2001.

Investors Masterseries™ mutual fund assets totalled $36 billion at December 31, 2001 and represented 86.4% of the total Investors Group mutual fund assets under management compared to 82.9% one year ago.

Partner Funds

Over the years, an important element of Investors Group's strategic mutual fund expansion has been the introduction of a number of new proprietary funds offering a range of investment advisory services through relationships with other investment management firms.

During 2001, Investors Group added to its global series RSP fund line with the IG AGF U.S. Growth RSP Fund.

In addition, Investors Group continued its relationships with highly regarded investment managers AGF Funds Inc., Beutel, Goodman & Company, Ltd., Fidelity Investments Canada Limited, Templeton Management Limited, Janus Capital Corporation, Maxxum Fund Management Inc. (whose operations were integrated with Mackenzie effective October 2001), Sceptre Investment Counsel Limited, and Scudder Investments Inc. – some of which have been providing investment advisory services to partner funds since 1996. With the acquisition of Global Strategy Financial Inc. by AGF Funds Inc., the funds managed by Rothschild Asset Management Limited were transferred to I.G. Investment Management, Ltd. with AGF Funds Inc. as advisor and were renamed appropriately.

Investors Group's investment management function oversees external advisors and ensures that their activities are consistent with its investment philosophy and with the stated fund investment objectives and strategies.

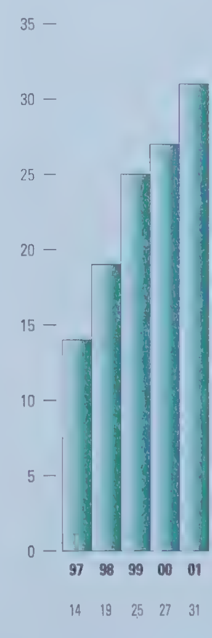
At December 31, 2001, partner funds accounted for 13.0% of Investors Group's mutual fund assets under management. Investors Group plans to examine additional opportunities for new relationships with external parties.

Managed Asset and Multi-Manager Investment Programs

Through its managed asset and multi-manager offerings, Investors Group gives its clients access to a growing selection of asset allocation opportunities directed by the world's leading money-management firms.

During 2001, Investors Group introduced its *i*Profile™ managed asset program, which was developed for the discerning investor seeking expert professional portfolio management. The program is advised by a select group of 13 globally renowned money management firms such as Goldman Sachs Funds Management L.P., Alliance Bernstein Investment Management, Jarislowsky Fraser Limited and I.G. Investment Management, Ltd. During 2001, this program attracted $245 million in assets. *i*Profile™ investment portfolios have been expertly designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions.

Insurance Sales
For the financial year
(millions of dollars)



During 2001, Investors Group also launched the 1World™ Portfolios, a single step investment solution offering geographic, investment style and asset class diversification. The 1World™ Portfolios include Investors Masterseries™ and partner funds. By the end of 2001, these funds had attracted $163 million in assets.

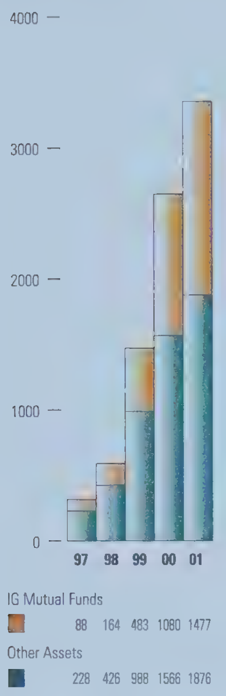
Segregated funds

A segregated fund is technically an insurance product, although it has many characteristics similar to mutual funds. To address this growing market, Investors Group offers eight segregated funds that are distributed solely by Investors Group Consultants. These funds offer two levels of guarantees – 75% and 100% of the principal invested. The investment component of these products is managed by Investors Group while the insurance component is underwritten by The Great-West Life Assurance Company (Great-West).

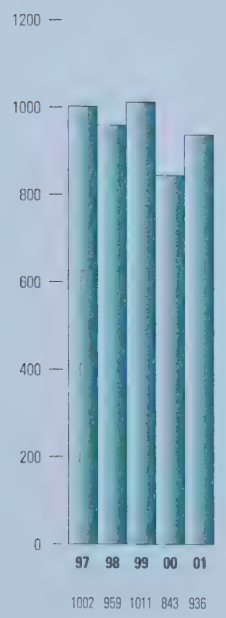
Insurance

Investors Group continues to be a leader in the distribution of life insurance in Canada and to seek opportunities to expand the scope of insurance products available to Investors Group clients.

Investors Group Securities Inc. Assets under Administration
As at December 31
(millions of dollars)



Mortgage Originations
For the financial year
(millions of dollars)



Through its arrangements with leading insurance companies, Investors Group offers a comprehensive range of term, universal life, whole life, disability, critical illness, long-term care, personal healthcare coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Great-West Life Assurance Company
- The Maritime Life Assurance Company
- Sun Life Assurance Company of Canada
- Clarica Life Insurance Company
- The Manufacturers Life Insurance Company (Manulife)

During 2001, Investors Group recorded the highest level of insurance product sales in Investors Group history. Sales of insurance products, measured on the basis of annualized premiums, increased 16.3% to $30.9 million. New policies sold and total face amount of insurance in force increased during 2001. The average number of policies sold per Consultant was 8.1. The average number of Consultants who maintained insurance licenses represented 91% of the Consultant Network in 2001, unchanged from 2000. Distribution of insurance products is enhanced through 41 insurance specialists. Located in regional offices, these specialists assist Consultants with the selection of appropriate insurance solutions for clients.

Securities operations

Investors Group Securities Inc. is an investment dealer registered in all provinces and territories providing securities services to clients seeking a broad product shelf in combination with financial and investment planning. Investors Group Consultants can refer high net worth clients to one of the 24 securities specialists available through Investors Group Securities Inc.

During 2001, assets under administration in Investors Group Securities Inc. grew by 26.7% to reach $3.4 billion. The number of clients using this service continued to grow – over 48,000 clients used Investors Group Securities Inc. in 2001, an increase of 27.9% over 2000. At year-end, 90% of Consultants had referred clients who maintained accounts with Investors Group Securities Inc., the same as in the prior year. The assets gathered by Investors Group Securities Inc. during 2001 were unchanged from 2000 at $1.2 billion.

The Company's venture with CIBC provides the opportunity to build enhanced brokerage services capabilities in a very timely manner as well as to provide comprehensive banking services to its clients.

Management believes that by continuing to develop and enhance the operation of Investors Group Securities Inc., Investors Group will also continue to attract and retain high quality Consultants, deepen relationships with clients and appeal to a growing segment of sophisticated and knowledgeable investors.

Mortgages

Investors Group's Consultants play an integral role in sourcing high-quality mortgages. Through their close involvement in the development of clients' financial strategies, Consultants are able to refer clients to Investors Group mortgage specialists. Investors Group currently employs 58 specialists who originate mortgages in key residential markets.

Mortgage originations in 2001 were $936 million compared to $843 million in 2000, an increase of 11.1%. The proportion of residential mortgages sourced with the assistance of Consultants remained steady at 85%. While most of these new mortgages were sold to third parties through Investors Group's mortgage banking operation, the servicing of these mortgages will continue to be provided by Investors Group.

Investors Group mortgage operations also provide both origination and servicing to:

- Investors Mortgage Fund, which, because of its size, requires a steady stream of high-quality mortgages.
- Investors Group Trust Co. Ltd. and The Trust Company of London Life, both subsidiaries of the Company.
- Investors Syndicate Limited, an investment certificate subsidiary.
- London Life Insurance Company and Great-West.

Additional products and services

Investors Group continues to provide its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd. and a range of other financial institutions. Other products and services offered include annuities and loans for registered investments.

Investors Group also looks for ways to broaden its reach in the Canadian marketplace. Through an alliance with CIBC, Investors Group will soon be complementing its diverse product shelf with personal banking services and an extended range of brokerage products and services that will be available through the Investors Group's network of Consultants as well as through ABMs, Internet and 1-800 access.

REVIEW OF OPERATING RESULTS

Investors Group's income from operations before interest and taxes was $589.9 million in 2001 compared with $453.6 million in 2000 as shown in Table 1 – Operating Results by Segment (page 18).

Revenue

Investors Group derives revenue from two principal sources: fee income and net investment income and other.

Table 3: Fee and Net Investment Income – Investors Group

(in thousands of dollars)	2001	2000	Increase (Decrease)	Change
Management	**$ 849,513**	$ 824,130	$ 25,383	3.1%
Administration	**149,378**	142,660	6,718	4.7
Distribution	**92,839**	108,714	(15,875)	(14.6)
Net investment income and other	**76,729**	65,612	11,117	16.9
Total	**$ 1,168,459**	$ 1,141,116	$ 27,343	2.4%

FEE INCOME

Fee income is generated from the management, administration and distribution of 94 Investors Masterseries™, partner and managed asset investment funds. Fee income was also generated on the 47 mutual funds offered by Maxxum until October 5, 2001. The distribution of insurance products and the provision of securities services provide additional fee income.

Fee income represented 93.4% of gross revenue in 2001, compared with 94.3% in 2000. Total fee income rose by $16.2 million to $1,091.7 million, a 1.5% increase over 2000 results.

Table 4: Mutual Fund Assets Under Management – Investors Group

(in thousands of dollars)	2001		2000	
Investors Masterseries™				
Equity	**$ 19,517,981**	**46.9%**	$ 20,949,558	47.1%
Balanced	**10,413,331**	**25.0**	10,315,216	23.2
Fixed income	**4,834,263**	**11.6**	4,637,465	10.4
Money market	**1,220,695**	**2.9**	979,422	2.2
	35,986,270	**86.4**	36,881,661	82.9
Partner funds				
Equity	**3,845,684**	**9.2**	3,575,599	8.0
Balanced	**1,298,273**	**3.1**	1,408,518	3.2
Fixed income	**269,279**	**0.7**	240,644	0.5
	5,413,236	**13.0**	5,224,761	11.7
*i*Profile™ funds				
Equity	**165,560**	**0.4**	–	–
Fixed Income	**74,038**	**0.2**	–	–
Money Market	**4,943**	**–**	–	–
	244,541	**0.6**	–	–
Maxxum funds				
Equity	–	–	1,819,263	4.1
Balanced	–	–	240,968	0.5
Fixed income	–	–	205,473	0.5
Money market	–	–	126,266	0.3
	–	–	2,391,970	5.4
	$ 41,644,047	**100.0%**	$ 44,498,392	100.0%

To provide a stable level of fee income, Investors Group must continue to maintain high levels of assets under management. The level of assets under management is influenced by three factors: sales, redemption rates and investment management performance. Sales of Investors Group's mutual funds continued to be strong in 2001 and its redemption rate decreased to 11.6% in 2001 from 14.0% in 2000, continuing to be among the lowest in the industry. Investment management services provided reasonable levels of returns during a period in which markets were both weak and very volatile.

Management fees

Investors Group earns management fees from services provided to its mutual funds. Current annual fees for management services range from .65% to 2.5% of assets under management. During 2001, management fee revenue increased by $25.4 million to reach $849.5 million, an increase of 3.1%. This increase in management fee income in 2001 reflects the impact of hedging activities that mitigate market risk and changes in average mutual fund assets.

Administration fees

Investors Group earns administration fees for:

- Administrative services provided to its mutual funds through its subsidiaries.
- Services as trustee for its mutual funds, through Investors Group Trust Co. Ltd.

During 2001, Investors Group earned a total of $149.4 million in administration fees as compared with $142.7 million in 2000. Fees charged to the mutual funds for administration services accounted for the increase in revenue in 2001.

Distribution fees

Distribution fees are earned from:

- Redemption fees or back-end loads on mutual funds, excluding money market funds. These fees are payable on a declining percentage basis when clients redeem their funds within a certain time period. In most instances, front-end loads on the sale of mutual funds are no longer applicable.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Provision of securities services through Investors Group Securities Inc.

During 2001, distribution fee income declined by $15.9 million. This decrease is largely a result of reductions in redemption fee income. Redemptions declined to $5.0 billion in 2001, a decrease of 17.8% from 2000. This decrease was partially offset by fee income from the distribution of insurance and brokerage products which increased by 15% in 2001.

NET INVESTMENT INCOME AND OTHER

Investment income includes interest and dividends earned on cash and short term investments, marketable securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of an affiliate's earnings as well as income related to mortgage banking activities.

Investors Group measures net investment income as the difference between investment income and interest expense. Interest expense is the interest on deposit liabilities, certificates and debt, excluding interest expense on debt incurred to finance its acquisition of Mackenzie. Net investment income and other totalled $76.7 million in 2001 and represents 6.6% of gross revenue, compared with 5.7% in 2000. The increase of 16.9% or $11.1 million from the 2000 level of $65.6 million is due principally to an increase of $21.3 million in income generated by mortgage banking activities during the year. This increase was partially offset by a reduction in Investors Group's share of an affiliate's earnings.

Expenses

Expenses reflect the cost of doing business for Investors Group and are made up of two major components: commissions and non-commission expenses.

COMMISSIONS

Investors Group incurs commissions expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and, as a result, commissions expense will fluctuate with the level of sales.

Table 5: Commissions Expense – Investors Group

(in thousands of dollars)	2001	2000	Increase (Decrease)	Change
Mutual funds				
Cash commissions	**$ 171,509**	$ 212,635	$ (41,126)	(19.3)%
Less: deferred portion	**138,265**	104,699	33,566	32.1
Expensed in current year	**33,244**	107,936	(74,692)	(69.2)
Amortization of deferred commissions	**88,595**	94,735	(6,140)	(6.5)
	121,839	202,671	(80,832)	(39.9)
Other commissions	**22,240**	19,521	2,719	13.9
Asset retention and other bonuses	**134,240**	134,968	(728)	(0.5)
Total	**$ 278,319**	$ 357,160	$ (78,841)	(22.1)%

Commissions expense decreased by $78.9 million, or 22.1%, to $278.3 million compared with $357.2 million in 2000. The decrease in commissions expense is due principally to the change in accounting estimate for amortization of selling commissions related to the sale of Masterseries™, partner and Maxxum mutual funds. Effective April 1, 2001, Investors Group changed the period of amortization of these expenditures to a maximum of seven years to reflect a more accurate estimate of their useful life. Prior to April 1, 2001, the maximum period for amortization was three years. The change in accounting estimate was applied prospectively and resulted in a decrease of $61.6 million in commissions expense for the nine month period ended December 31, 2001. Lower mutual fund sales during 2001, which were 14.5% below 2000 levels, accounted for the remainder of the decrease in expense in the year.

NON-COMMISSION EXPENSES

Non-commission expenses encompass all of the other costs Investors Group incurs in operating its business. They include variable costs, fixed costs and strategic initiative expenditures. During 2001, non-commission expenses totalled $300.3 million. This total includes strategic and business process improvement expenditures of $4.2 million in support of the development and implementation of Investors Group's strategic plan. Excluding these expenditures, non-commission expenses were $296.1 million, representing an increase of $16.3 million, or 5.8%, from 2000. Variable costs rose by 2.9% to $77.7 million. Fixed costs increased by $14.2 million, or 6.9%, and were largely driven by initiatives related to the expansion of Investors Group's distribution activities.

Table 6: Non-commission expenses – Investors Group

(in thousands of dollars)	**2001**	2000	Increase (Decrease)	Change
Fixed expenses	**$ 218,385**	$ 204,223	$ 14,162	6.9 %
Variable expenses	**77,687**	75,521	2,166	2.9
Strategic initiatives and business process improvements	**4,195**	50,650	(46,455)	(91.7)
Total expenses	**$ 300,267**	$ 330,394	$ (30,127)	(9.1)%

Strategic initiative expenditures

In support of the strategic plan, expenditures were incurred for the following:

- Furthering Investors Group strategic plan through a banking, brokerage and mortgage initiative with CIBC.
- Developing and launching of additional products and services.
- Continuing development of strategic order entry systems.

Business process improvement expenditures

Expenses were incurred for the following:

- Integration of information technology services with Great-West and London Insurance Group Inc.
- Further development of the brokerage platform.

Variable costs

Variable costs fluctuate with the levels of sales, the number of Consultants and clients, and the level of assets under management and administration. They include variable compensation, distribution support costs and costs of investment advisory services. Variable costs increased 2.9% in 2001 resulting from increases in:

- Investment advisory fees associated with higher average mutual fund assets.
- Insurance and brokerage volumes.

Fixed costs

Improvements in productivity and continuing investments in technology have allowed Investors Group to manage fixed costs, while expanding and enhancing business and support activities. Fixed costs increased by 6.9% in 2001, reflecting the impact of an expanding business.

The increase in fixed costs in 2001 was mainly a result of expenditures made to support Investors Group's distribution function. These included expenditures related to:

- Expanding and enhancing the securities operations.
- Increasing the levels of Consultant training and support.

Investors Group continued to expand and to redesign office space in its Financial Planning Centres in order to assist Consultants in the conduct of their business. The expansion of these Financial Planning Centres provides a more effective use of space for business activities and also reflects the planned growth in the number of Consultants and in the number of sales assistants who provide support to Consultants.

Investors Group also continues to upgrade and enhance the Investors Group Advantage™ system, the business system supplied to Consultants. Investors Group Advantage™ provides Consultants with laptop computers, advanced software tools, state-of-the-art financial planning software and electronic access to client information through network connections.

A major component of Investors Group's fixed costs is employee compensation and benefits. Since 1995, the average number of employees associated with Investors Group's mutual fund activities has remained relatively constant. During this period, mutual fund assets under management have more than doubled and the number of unitholder accounts has tripled. The maintenance of staffing at these levels during a period of substantial growth is a result of Investors Group's investment in productivity improvements and technology.

Mackenzie

REVIEW OF THE BUSINESS

Mackenzie is an integrated financial services company, operating directly in North America and internationally through partner sub-advisor firms.

Canadian Asset Management Operations

Mackenzie's core business is managing mutual funds in Canada. As at the end of the fiscal year, Mackenzie provided investment management, marketing and administrative services to 176 mutual funds and 41 segregated funds held by over 1,500,000 investors in the Cundill, Ivy, Mackenzie, Maxxum and Universal fund families and in the Star and Keystone asset allocation programs. In addition to managing mutual and segregated funds, Mackenzie also provides investment management services to private and institutional accounts, primarily in the insurance sector.

As at December 31, 2001, Mackenzie's combined Canadian investment fund asset base totalled $35.8 billion, inclusive of $2.4 billion in private and institutional accounts.

DISTRIBUTION EXPANSION

Mackenzie's core mutual fund operation continues to focus on supporting independent financial advisors, and it has thrived because of this. The independent advice channel represents the largest share of the Canadian mutual fund industry, as defined by the Investment Funds Institute of Canada (IFIC), and this segment has grown steadily, from 55% of total assets in 1993 to 63% in 2001.

Mackenzie remains steadfast in its commitment to supporting the more than 37,000 independent financial advisors who recommend its products. Studies have shown that investors who use a financial advisor experience better long-term portfolio performance because they are more likely to adhere to their strategy and thus reach defined investment goals. Furthermore, Mackenzie's research shows that high net worth and emerging high net worth investors prefer to use the services of a financial advisor. With over 315,000 Canadians having $1 million or more in liquid assets to invest – a number that is expected to triple over the next ten years – Mackenzie will continue to develop new products and services to meet the needs of this growing market segment.

As the industry has grown and matured, Canadian investors have become ever more sophisticated and knowledgeable. Increased access to information through the Internet has empowered Canadian investors. This is a win-win for financial advisors and investors alike, as educated investors are more likely to be successful investors. In the strong bull market of the late 1990's, a growing number of investors opted to become self-reliant. But the volatile stock markets of 2000 and 2001 caused many to once again use the services of a financial advisor.

Meanwhile, lines distinguishing the traditional advice channels and non-traditional service providers have blurred. For example, in-branch financial advisors at Canada's chartered banks are among the fastest growing distribution networks in the industry today. Discretionary managed accounts, third-party asset allocation services and "wrap" programs are also becoming increasingly important drivers of market share. Fund selection and management of these programs is frequently determined by independent consulting institutions or by the mutual fund research arm of an investment dealer. Consequently, Mackenzie has dedicated additional resources to service these emerging channels and to build on its existing relationships.

The attractive benefits of segregated funds combined with the large number of insurance advisors across Canada present new growth opportunities for distribution within the insurance industry. Mackenzie is increasing its efforts to forge strong relationships with this channel. Mackenzie funds are well represented within the distribution networks of most of the major insurance companies across Canada, and Mackenzie will continue to grow as its products gain additional shelf space in the future.

In the coming year, Mackenzie is also looking forward to working with its affiliated companies within the Power Financial group of companies. For several years, Mackenzie and Great-West have worked in partnership, with Great-West insuring Mackenzie's line of segregated funds, and Mackenzie managing several segregated funds distributed by Great-West. London Life Insurance Company recently added Mackenzie to their line-up of segregated funds, and through the Maxxum family, Mackenzie now enjoys strong distribution from Investors Group.

PRODUCT DEVELOPMENT

Year 2001 saw several new and important product development initiatives by Mackenzie aimed primarily at taxable or high net worth investors.

In January 2001, Mackenzie introduced Mackenzie Alternative Strategies Fund, a fund of hedge funds (FOHFs). Tremont Investment Management, Inc., the leading firm advising FOHFs was signed to a mutually exclusive sub-advisory contract for the Fund. By December 2001, the Fund had attracted $105 million, significantly outperforming North American equities and with less volatility. In December 2001, the Mackenzie Long Short Equity Fund was introduced to follow-up this first initiative, and further concepts are being considered within this realm in order to expand the number of eligible investors for this investment category.

Mackenzie's distribution strength has also made it one of the first stops for financial firms with innovative ideas of potential benefit to investors. Mackenzie Managed Return Capital Class fund was designed jointly with such a firm. Scheduled for launch in early 2002, the Fund was developed to be a tax-efficient alternative to bond funds with similar total return characteristics. The Fund is similar in structure to Mackenzie's highly successful Managed Yield Funds, a tax efficient alternative to money market funds in that its returns are taxed as capital gains, which raised over $1 billion following their launch in the fall of 2000. In concert with Vengrowth, a Canadian tier-one venture capital firm, Mackenzie recently launched Vengrowth Advanced Life Sciences Fund, an innovative emerging biotechnology fund.

Mackenzie Universal Growth Trends Capital Class fund was introduced in August 2001 as a multi-managed global equity fund specializing in growth-oriented companies in high growth industries including Health Care, Communications and Technology, Financial Services, Infrastructure, Energy and Consumer Growth. Mackenzie has retained Alliance Capital Management Canada, Inc., as sub-advisor for this initiative.

Similarly, product development was largely completed during 2001 on the T-Series units that are designed to complement other Mackenzie tax management strategies for investors. Independent financial advisors are expected to be able to offer the T-Series units in early 2002 on a full range of top performing Mackenzie balanced funds. The T-Series units are designed to provide consistent cash flow to investors from their funds while deferring the capital gains which would normally be realized if investors were redeeming units for this purpose.

Mackenzie commenced a series of fund mergers and changes of investment mandate, to add clarity to its product offerings and to eliminate redundancy in its fund line-up. In addition, the Industrial Group of Funds was retired, folding it into the Maxxum family to better reflect the nature of the management capabilities of the existing portfolio and providing greater flexibility to re-invigorate these offerings by introducing new investment expertise.

ASSET MANAGEMENT

Global markets continued to be weak for the year ended December 31, 2001. The Toronto Stock Exchange 300 Total Return Index declined 12.6% for the year; the Standard & Poor's 500 Composite Total Return Index (representative of U.S. stock markets) was down 11.9%; and the Morgan Stanley Capital International World Total Return Index was down 16.5%. For all major U.S. and global benchmarks, this represented the second consecutive year of declines.

Despite the general weakness, Mackenzie's mutual funds performed among the highest levels in the industry. The majority of Mackenzie's assets rank among the top half of similar investment products in the industry over all relevant time periods. At December 31, 2001, 91% of Mackenzie's assets under management ranked in the top half of all competitive offerings for five-year performance. For the one-year period, 77% of assets ranked in the top half of similar investment products.

Mackenzie's Ivy funds continue to be recognized as one of the best conservatively managed investment brands in the country. Total assets in this group exceed $11 billion and the funds are the beneficiary of new sales growth as well as asset appreciation. Management is also very proud that three years after Mackenzie's strategic partnership with Cundill Investment Research was formulated, the performance of all funds in the Cundill family rank in the first quartile of similar investment products. Mackenzie's newly positioned Maxxum and Mackenzie brands, which consist of a wide array of Canadian investment products, have also performed exceptionally well, particularly in the core categories of dividend funds and balanced funds.

Mackenzie's Universal fund family, largely sub-advised by Mackenzie Investment Management Inc. (Mackenzie Investment) and independent sub-advisors, was prone to the weakness in global markets, especially given the growth-style orientation of many of the investment mandates. Management believes that this strategy remains complementary to its in-house investment strategies, as well as to the breadth of choice Mackenzie provides independent financial advisors and their clients.

The most important mechanism Mackenzie can continue to employ to increase assets under management and, as a result, increase corporate shareholder value, is the provision of an investment product shelf of the highest possible quality.

Trust and Administrative Services

As stated previously, the core business of Mackenzie is the management of mutual fund and segregated fund investments. However, Mackenzie understands that a complete financial plan usually involves other financial products and broader administrative service offerings. The delivery mechanism for this aspect of Mackenzie's business is the MRS Group of Companies (MRS). Through Multiple Retirement Services Inc., M.R.S. Securities Services Inc., and M.R.S. Trust Company, MRS collectively provides trade execution and settlement services for mutual fund and other securities transactions, provides trustee services, offers a wide variety of deposit and lending products (high yield deposits, mortgages, investment loans, and RSP contribution loans), and promotes and distributes the Keystone family of mutual funds.

With more than 232,000 client accounts, MRS enjoys significant economies of scale on its account services platform. In addition, its asset base of $15 billion provides a large potential market to cross-sell products and services. Keystone assets have increased from $580 million to $850 million year over year.

U.S. Asset Management Operations

Mackenzie's U.S.-based asset management is provided by Mackenzie Investment, an 86 percent owned subsidiary and public company listed on the Toronto Stock Exchange. Mackenzie Investment manages US$1.2 billion in 16 mutual funds of its own and provides investment advisory services to all or a part of the assets in 22 Universal Funds (CDN$3.0 billion) managed by Mackenzie and sold only in Canada.

2001 was a challenging year for the U.S. mutual fund operation. The shocking events of September 11th made all other matters seem insignificant. The U.S. went to war, the economy slipped into recession, and the financial markets continued to show lacklustre performance. In 2001, Mackenzie Investment's average mutual fund assets under management declined to US $1.4 billion from US $2.9 billion in the previous year. The decline in Mackenzie Investment's mutual fund assets under management is largely attributed to its flagship fund, the Ivy International Fund. In 1998 and 1999 Ivy International Fund under-performed key benchmarks. Due to this and a general downturn in interest in international investing among U.S. mutual fund investors, the fund experienced net redemptions throughout 2000 and 2001. In 2001, the average assets in this Fund were US $0.7 billion, down from US $1.8 billion in the previous year.

REVIEW OF OPERATING RESULTS

Mackenzie contributed $571.9 million in operating income to the Company subsequent to the consolidation of Mackenzie into the Company's results effective April 21, 2001.

Table 7: Operating Results – Mackenzie

(in thousands of dollars)		April 21 – December 31 2001
Fee income	$	557,387
Net investment income and other		14,499
Operating income		571,886
Operating expenses		438,325
Earnings before interest and taxes	$	133,561

Mackenzie's main source of revenue is generated by providing investment management and administration services to public mutual funds in Canada and the U.S. Operating expenses incurred in the administration of the mutual funds are reimbursed to Mackenzie and reported as fee income. Mackenzie also earns revenues from redemption fees and the administration of self-directed savings plans offered by MRS. Through M.R.S. Trust Company, Mackenzie earns net investment income from intermediary operations.

The consolidation of Mackenzie into the Company increased the Company's operating expenses by $438.3 million. The main components of Mackenzie's operating expenses include:

- $114.0 million amortization of deferred selling commissions.
- $104.6 million of trail commissions paid to dealers.
- Other costs incurred primarily in the administration, marketing and management of the mutual funds and in the MRS account administration operation.

Mackenzie contributed $133.6 million to the Company's consolidated income from operations before interest and taxes.

Pro-forma Operating Results

Mackenzie's operating results have been consolidated with the Company's results from the date of acquisition. Accordingly, pro-forma operating results for the years ended December 31, 2001 and 2000 have been presented to provide a more informative analysis of Mackenzie's results.

On a pro-forma basis, Mackenzie's income from operations before interest and taxes was $193.4 million, a decrease of $17.4 million or 8.3% from $210.8 million in 2000 as shown on Table 8 – Pro-Forma Operating Results – Mackenzie.

FEE AND NET INVESTMENT INCOME

In 2001 Mackenzie's pro-forma fee and net investment income decreased $65.0 million or 7.2% to $841.2 million from $906.2 million in the previous year.

Management fees from Mackenzie's Canadian asset management operations decreased $25.2 million to $590.6 million from $615.8 million in 2000. This decrease is consistent with the decline in average Canadian mutual fund assets under management from $32.2 billion in 2000 to $31.2 billion in the current year. On October 5, 2001 Investors Group transferred the Maxxum operations to Mackenzie. Maxxum's $2.2 billion of mutual fund assets under management have been included in Mackenzie's average mutual fund assets from that date. Also contributing to the decline in management fees is the asset shift experienced in the year from equity funds to money market and fixed income funds, which have lower management fees.

Management fees from Mackenzie's U.S. asset management operations declined $25.7 million to $28.6 million from $54.3 million in the previous year, consistent with the decline in its average assets under management as previously discussed.

Table 8: Pro-Forma Operating Results – Mackenzie

For the years ended December 31 (in thousands of dollars)	2001	2000	Increase (Decrease)	Change
Fee and net investment income				
Management	**$ 619,215**	$ 670,130	$ (50,915)	(7.6)%
Administration	**150,713**	148,912	1,801	1.2
Distribution	**49,643**	66,841	(17,198)	(25.7)
Net investment income and other	**21,670**	20,310	1,360	6.7
	841,241	906,193	(64,952)	(7.2)
Operating expenses				
Commissions	**168,002**	194,515	(26,513)	(13.6)
Trailer fees	**151,114**	162,237	(11,123)	(6.9)
Non-commission expenses	**328,702**	338,582	(9,880)	(2.9)
	647,818	695,334	(47,516)	(6.8)
Earnings before interest and taxes	**$ 193,423**	$ 210,859	$ (17,436)	(8.3)%

Administration fees increased by $1.8 million to $150.7 million in 2001 from $148.9 million in 2000. The main components of administration fees are operating expenses charged to funds, and trustee, termination and other administration fees generated from the MRS account administration business.

Distribution revenue, which includes redemption fees earned on units of mutual funds sold on a deferred sales charge basis for which Mackenzie and Mackenzie Investment were primary distributors, decreased $17.2 million to $49.6 million in 2001 from $66.8 million in the comparative period. This decline is attributed to Mackenzie's Canadian asset management operations as:

- A greater proportion of the mutual fund redemptions in 2001 were units that were originally sold on a front-end basis, hence not subject to a redemption fee.
- An increase in mutual fund units which are no longer subject to redemption fees.

OPERATING EXPENSES

On a pro-forma basis, Mackenzie's operating expenses decreased $47.5 million to $647.8 million in 2001 from $695.3 million in the comparative period.

Amortization of deferred selling commissions decreased $26.5 million from $194.5 million in 2000 to $168.0 million in the current period. Selling commissions are recorded at cost and are amortized to expense over five to seven years. Unamortized selling commissions are written down to the extent that units are redeemed prior to commissions being fully amortized.

The decrease in commission expense is attributed to:

- A decrease in the proportion of assets under management which were sold on a deferred sales charge basis.
- A reduction in redemptions on units which were sold on a deferred sales charge basis.

Trailer fees paid to dealers at $151.1 million in 2001 decreased $11.1 million from $162.2 million in the comparative period. The decrease in trailer fees is consistent with the decline in average mutual fund assets under management in Mackenzie's Canadian and U.S. asset management operations and increased investor preference for money market and fixed income funds, which pay lower trailer fees.

Non-commission expenses, which include costs incurred by Mackenzie in the administration, marketing and management of its mutual funds and all other expenses in the operation of its business, decreased $9.9 million to $328.7 million in 2001 from $338.6 million in the comparative period.

This decline was primarily attributed to:

- A reduction in salaries, a result of restructuring and downsizing initiatives undertaken during the year.
- A reduction in subadvisory expenses at Mackenzie Investment due to the internalization of the portfolio management of Ivy International Fund, in May 2000.
- Lower distribution fees paid to a limited partnership, consistent with the decline in average assets originally financed by limited partnership vehicles.
- A decrease in advertising expense incurred at Mackenzie Investment, a result of re-focusing the marketing plan and reducing certain marketing expenditures.

Table 9: Changes in Assets Under Management – Mackenzie

For the years ended December 31 (in thousands of dollars)	2001	2000	Increase (Decrease)	Change
Canadian Assets Under Management				
Mutual Funds				
Beginning assets	**$ 31,736,739**	$ 30,804,564	$ 932,175	3.0 %
Transfer of Maxxum assets (1)	**2,214,556**	–	2,214,556	N/M
Gross sales	**5,474,833**	6,166,183	(691,350)	(11.2)
Redemptions	**5,194,427**	4,708,908	485,519	10.3
Net sales	**280,406**	1,457,275	(1,176,869)	(80.8)
Market and income	**(832,141)**	(525,100)	(307,041)	(58.5)
Ending assets	**33,399,560**	31,736,739	1,662,821	5.2
Private and Institutional Clients	**2,378,369**	1,612,464	765,905	47.5
Total	**$ 35,777,929**	$ 33,349,203	$ 2,428,726	7.3 %
U.S. Mutual Funds (US$)				
Beginning assets	**$ 2,038,801**	$ 3,629,971	$ (1,591,170)	(43.8)%
Gross sales	**437,873**	962,598	(524,725)	(54.5)
Redemptions	**877,417**	1,917,391	(1,039,974)	(54.2)
Net sales	**(439,544)**	(954,793)	515,249	54.0
Market and income	**(417,302)**	(636,377)	219,075	34.4
Ending assets	**$ 1,181,955**	$ 2,038,801	$ (856,846)	(42.0)%
Total Assets Under Management (CDN$)	**$ 37,660,311**	$ 36,407,811	$ 1,252,500	3.4 %

(1) assets transferred on integration of Maxxum operations with Mackenzie effective October 5, 2001.

Investors Group Inc.

CONSOLIDATED FINANCIAL POSITION

The Company's on-balance sheet assets totalled $6.12 billion at December 31, 2001, compared to $1.99 billion at December 31, 2000. The increase in assets was attributable to the acquisition of Mackenzie on April 20, 2001. Excluding goodwill and deferred selling commissions resulting from the acquisition, financial assets increased $595.6 million with increases primarily in cash and short term investments and in loans.

Securities

The Company's holdings of securities were $248.2 million at December 31, 2001 – a decrease of $167.9 million or 40.4%. Securities currently represent 4.1% of total assets as compared with 21.0% at December 31, 2000. The market value of the Company's portfolio at December 31, 2001 exceeded cost by $163.6 million compared with $176.0 million at year end 2000. Securities sold during the period provided a portion of funds utilized to finance the acquisition of Mackenzie.

The Company continually strives to ensure that its portfolio holdings are of the highest quality. To manage the market and credit risk associated with a securities portfolio, a Senior Management Investment Committee monitors the Company's portfolio and approves all purchases. This committee regularly reviews the portfolio to identify holdings where there has been a permanent decline in value. In these circumstances, the carrying amount of the security is written down to recognize the loss. Management also reviews the portfolio to establish appropriate and prudent allowances where permanent impairment is not yet evident.

Loans

Loans, including mortgages and personal loans, increased by 203.6%, or $439.3 million, to $655.1 million at December 31, 2001 and represent 10.7% of total assets, compared to 10.9% at year end 2000. The increase is due to mortgages and personal loans related to Mackenzie's intermediary operations.

Credit Risk

At December 31, 2001, impaired loans totalled $3.4 million and represented .49% of the total loan portfolio, compared with $0.7 million, or .27%, at December 31, 2000. The Company monitors its credit risk management policies continuously to evaluate their effectiveness. These policies and practices have resulted in the effective control of impaired loans. Management continued its conservative policy of maintaining adequate allowances to absorb all known and foreseeable credit-related losses in the mortgage, loan, and real estate portfolios. The allowance for credit losses exceeded impaired mortgages and loans by $17.9 million as at December 31, 2001, compared to $7.8 million at December 31, 2000.

During 2002, the Company does not expect any significant losses in its mortgage portfolios because:

- The portfolios are 96% residential and 67% insured.
- 83% of the portfolios are owner occupied.
- The mortgages in the portfolios are geographically diverse.
- The Company continues to apply strict credit risk management policies.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company's operating liquidity requirements involve financing operations, servicing its existing debt and equity and maintaining liquidity in its regulated subsidiaries.

Earnings before interest, taxes, depreciation and amortization of commissions expense and goodwill (EBITDA) totalled $1,048.7 million for the year before giving effect to the restructuring charge of $95.6 million, an increase of 42.1% from $737.8 million in 2000.

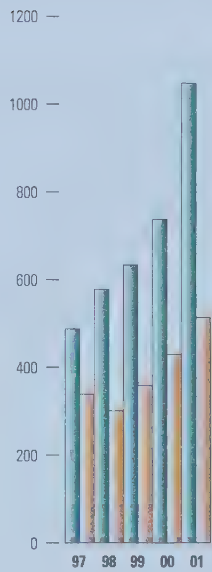
A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. The Company's commission expense was fully funded through management fee revenue earned on mutual fund assets under management and through additional sales charges levied in connection with the early redemption of mutual funds. The Company continues to rely on its strong financial position to address funding issues of this nature internally.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, most of these mortgages are sold to third parties on a fully serviced basis. The Company is active in both the loan sale and securitization markets. During 2001, loan sales totalled $1.06 billion and proceeds from securitizations were $703.2 million.

The Company maintains additional liquidity to meet regular interest and dividend obligations related to the bridge financing of $497 million and the long term debt and preferred shares of $1.51 billion issued during the second quarter of 2001 to finance the Mackenzie acquisition, as well as interest related to other long term debt.

Other potential sources of liquidity are the Company's portfolio of securities and lines of credit. As of December 31, 2001, the market value of the marketable securities in its portfolios and its unregulated subsidiaries was $341.9 million. The Company maintains operating lines of credit totalling $235 million with various Schedule 1 Canadian chartered banks.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
For the financial year
(millions of dollars)



	97	98	99	00	01
EBITDA[1]	488	578	634	738	1049
Cash Flow Available[2]	339	301	359	430	515

[1] *Excluding restructuring costs*

[2] *Cash flow available from operations before payment of commissions*

Liquidity can also be provided through the Company's ability to raise funds in domestic debt and equity markets as evidenced by funds raised to finance its acquisition of Mackenzie.

Liquidity requirements for Investors Group Trust Co. Ltd., The Trust Company of London Life and M.R.S. Trust Company, which engage in financial intermediary activities, are established by regulatory authorities. As at December 31, 2001, liquidity for the three companies was in excess of regulatory requirements.

Interest Rate Sensitivity

The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure within limits established by the Investment Committee of the Board of Directors. The Company manages the repricing characteristics of its consolidated assets and liabilities, and as required by regulation, manages interest rate risk on the assets and liabilities of the deposit operations of Investors Group Trust Co. Ltd., The Trust Company of London Life and M.R.S. Trust Company. As at December 31, 2001, the total gap between one-year deposit assets and liabilities was well within the Company's stated policy parameters for these trust companies.

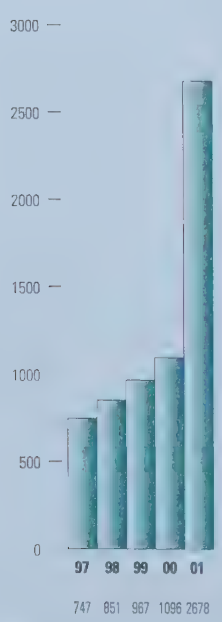
Capital Resources

The Company's total capitalization has increased significantly as a result of the acquisition of Mackenzie. Shareholders' equity increased during the year to $2.68 billion as at December 31, 2001 from $1.10 billion at December 31, 2000. During the same period, long term debt increased to $1.36 billion.

Table 10: Summary of Capital Transactions

(in millions of dollars)	2001
Share capital	
Common shares	
Issued to affiliated company	$ 230.0
Issued to parent company	138.3
Issued on acquisition of Mackenzie	789.3
Issued under stock option plan	4.7
Purchased for cancellation	(3.9)
	1,158.4
Preferred shares issued	360.0
	1,518.4
Long term debt issued	
Floating Bankers' Acceptance, due May 30, 2006	550.0
6.75% Debentures 2001 Series, due May 9, 2011	450.0
7.45% Debentures 2001 Series, due May 9, 2031	150.0
	1,150.0
Total	$ 2,668.4

Shareholders' Equity
As at December 31
(millions of dollars)



To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet.

Independent reviews confirm the continuing quality of the Company's balance sheet and the strength of its operations. During 2001, both Standard & Poors (S&P) and the Dominion Bond Rating Service (DBRS) reviewed their ratings of the Company's senior debt and liabilities. The senior debt and liabilities were rated A stable by both S&P and DBRS.

Management is confident that the Company's current capital resources are adequate and can support its activities during 2002.

OUTLOOK

The Financial Services Environment

During the past decade, the financial services industry has experienced considerable growth and substantial change. Some of the factors contributing to industry growth are:

- Changes in investment habits.
- Increasing ease of investment in capital markets.
- Greater knowledge and understanding of investment products among the general public.
- Shifting demographics – the move of the baby boom generation into peak saving and investing years.

INCREASED COMPETITION AND DEREGULATION

A changing and expanding marketplace has brought a substantial increase in competition within the industry. Domestic and foreign service providers, including banks, financial planners, investment dealers, insurance companies and others, are seeking to provide a comprehensive range of services. In addition, the nature of these services is shifting. Several years ago, the industry was focused on offering single, distinct products to clients. Today, in response to the broadening of clients' needs and their increasing sophistication, products and services are more integrated, and are designed to meet clients' overall financial requirements. In addition, deregulation has enabled companies to broaden their delivery channels to attract clients.

GROWTH OF MUTUAL FUNDS

The mutual fund market has grown substantially over the past decade and has continued to assume a more prominent role in the financial services industry. During 2001, total mutual fund assets for the industry increased by $7.5 billion to $426.4 billion. This rate of growth is a result of net sales of $28.6 billion offset by a decrease in assets due to unfavourable market conditions.

Factors that should contribute to the continued long-term growth in mutual fund assets include:

- A continuing environment of low interest rates.
- Demographic changes resulting in more individuals focusing on saving and investing including increasing concern over the adequacy of government-sponsored pension plans.
- A growing number of financial services companies providing mutual funds to consumers.
- The globalization of capital markets.

The Competitive Landscape

To provide financial planning services to Canadians, the Company must compete with other mutual fund companies and, increasingly, with other financial services organizations including banks, brokerage firms and life insurance companies. Mergers and acquisition activity in 2001 reflected continued consolidation within the industry.

BANKS

The dominant competitive force in retail financial services is the banking industry. Management feels that the banks' presence has served to accelerate the growth of the mutual fund industry as a whole. During 2001, banks continued to maintain a significant share of the mutual fund market. A substantial portion of their mutual fund assets continue to be concentrated in money market funds. At December 31, 2001, money market funds accounted for almost 40% of their total fund assets compared with approximately 30% in 2000. During 2001, the banks benefitted from the strength in money market fund sales driven by low interest rates and market volatility.

MUTUAL FUND DEALERS AND MANUFACTURERS

Mutual fund dealers have also been successful in expanding their distribution network and increasing their penetration of the financial advice market. During the year, a number of organizations consolidated to form larger firms. Management expects continued consolidation in the industry as smaller participants are acquired by larger, more efficient organizations.

A continuing trend within the mutual funds sector is increased vertical integration, where one firm both manufactures and distributes products. For mutual fund dealers, this has meant increasing their manufacturing capabilities. This business model, which integrates investment management with the distribution of financial products and services, is similar to that which the Company has utilized successfully.

DISTRIBUTION CHANNELS

Within the various mutual fund distribution channels, competition is strong. Management views this as a healthy environment that allows investors to receive high-quality investment management services for reasonable fees. In addition, there is increasing competition among mutual fund manufacturers to access distributors and the shelf-space that distributors can offer as the number of mutual funds continues to increase.

Meeting Competitive Challenges

The Company is well positioned to enhance its competitive position in the mutual fund and financial services industries. At present, the financial services market consists largely of clients who have developed relationships with a number of different providers of products and services. To be successful in this environment, the Company must continue to be innovative and provide excellent services to its clients.

ACQUISITION OF MACKENZIE

In connection with meeting competitive challenges and continuing to achieve success in the environment, the Company acquired Mackenzie during the current year. The acquisition of Mackenzie provides the Company with a basis upon which to participate in additional distribution channels, including the independent financial planner and full service broker markets. Based on this approach and objective, Mackenzie will operate separately from Investors Group and will maintain its own brands, its own method of distribution, as well as separate investment management operations.

In connection with the Company's objective of continuing to meet competitive challenges, the acquisition of Mackenzie provides the basis upon which the Company can pursue numerous opportunities to achieve operating efficiencies and implement product enhancements. The realization of these efficiencies and enhancements will benefit all constituents including clients, Consultants, independent financial advisors, and shareholders.

To properly transition to the new post-acquisition environment and fully realize operating efficiencies and product enhancements, the Company has established a transition project structure. The project structure consists of an executive steering committee and individual project teams that will manage the transition process. Investors Group and Mackenzie will work together to ensure that transition issues are managed to maximize benefits to all constituents.

The transition plan seeks to achieve a target of approximately $100 million (pre-tax basis) of synergies per year. This consists of $75 million per year in synergies to the Company's shareholders and an additional $25 million per year in synergies to Investors Group and Mackenzie mutual fund clients. Synergies will be realized by clients based upon reductions in fund costs. Management's objective is to achieve these synergies by the end of the second year subsequent to the closing of the acquisition. As at December 31, 2001, total annual synergies of $45 million per year (pre-tax basis) had been achieved. This total is comprised of $33 million in synergies to the Company's shareholders and $12 million in synergies to mutual fund clients.

Management is confident that the acquisition of Mackenzie will be a key factor in the Company's future success. The acquisition gives the Company access to additional distribution channels as well as positioning the Company to realize numerous operating efficiencies and product enhancements. These benefits have begun to accrue already and will continue well into the future to ensure the Company maintains its significant competitive position in an evolving environment.

EXPANDED PRODUCT SHELF

Offering a broader range of financial products and increasing the diversification of the Company's core products will help strengthen existing client relationships and attract new clients. This strategy will enhance the extent and quality of the Company's client relationships, protecting its client base and expanding its market share.

The Company's agreement with CIBC through which banking and brokerage services will be offered in 2002 is further evidence of the Company's ability to expand its product shelf in new and unique ways that serve existing clients and attract new ones.

INTEGRATED BUSINESS MODEL

The highly developed nature of its integrated business model and the scale of its operations give the Company a distinct advantage over its competition. Consequently, the Company is well positioned to meet increased competition for distribution shelf space. The synergies achieved through the Company's acquisition of Mackenzie and its association with Great-West and London Life as Power Financial affiliates further enhances the Company's scale of operations and strengthens its position in the marketplace.

While competitors may attempt to replicate its business model, Management is confident that the Company will maintain its leadership position as a primary distributor of a broad and diverse range of financial products and services.

The Regulatory Environment

Developments in the regulatory environment continue to affect the industry. The Company supports all regulatory efforts that will protect the interests of clients and preserve the integrity and reputation of the industry and its members. Management looks forward to future developments that will further these objectives.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

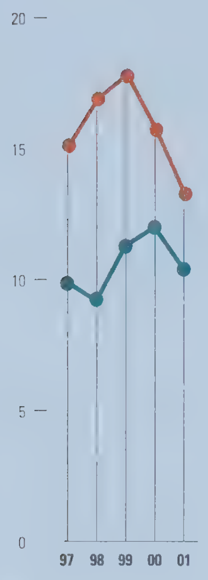
In February 2001 the Mutual Fund Dealers Association of Canada (MFDA) was recognized by the Ontario Securities Commission and other Canadian securities regulators as the self-regulatory organization for the mutual fund dealer industry in Canada in every jurisdiction except Quebec. During the balance of 2001, the MFDA began accepting applications for membership from mutual fund dealers in Canada. In the fourth quarter of 2001 the MFDA admitted its first members. Investors Group Financial Services Inc. and Multiple Retirement Services Inc., the Company's mutual fund dealer subsidiaries, have applied for membership and are expected to become members of the MFDA during the first quarter of 2002.

With the formal recognition of the MFDA, its rules and by-laws dealing with required capital, sales compliance, proficiency, distribution structures and administration came into force. These rules and by-laws will apply to Investors Group Financial Services Inc. and Multiple Retirement Services Inc. when they become members. In addition, the MFDA is continuing to work towards the establishment of a contingency fund to protect investors in the event of the insolvency of a mutual fund dealer that is a member of the MFDA.

NATIONAL FINANCIAL SERVICES OMBUDSERVICE (NFSO)

The recently enacted Bill C-8 covering the financial services sector called for the implementation of a Canadian Financial Services Ombudsman under the auspices of the Federal Government. In response to such legislation, the financial services sector approached the government to allow for an industry solution rather than government intervention. In support of a proposition by a number of financial services participants, namely, Canadian Bankers Association, Canadian Life & Health Insurance Association, Insurance Bureau of Canada, Investment Dealers Association, Mutual Fund Dealers Association of Canada and Investment Funds Institute of Canada, the Federal Government has agreed to postpone its initiative pending the development and implementation of a National Financial Services OmbudService provided by the various financial services sectors aforementioned. The Federal Government has agreed to a two year window to allow for the various sector representatives to effect workable redress systems for Canadian consumers in their respective sectors.

Mutual Fund Redemption Rates[1]
As at December 31
(%)



IFIC[2]
15.1 16.9 17.8 15.7 13.2
Investors Group and Mackenzie
9.9 9.3 11.2 12.0 10.4

[1] *Excluding money market and managed yield funds*
[2] *Excludes Investors Group and Mackenzie*

Market Influences

Corrections in domestic and international markets and changes in interest rates may affect the future outlook for the Company. Financial markets were both weak and highly volatile throughout 2001. Increases in interest rates could have a significant impact on equity markets and mutual fund sales. Declines in the value of equity markets could also result in increased redemptions of mutual funds.

REDEMPTION RATES

The redemption rate for long term funds for the Company's mutual funds was 10.4% for the year, among the lowest in the industry. The corresponding redemption rate for the industry as a whole, excluding the Company's mutual funds, was 13.2%.

The mutual fund industry has successfully educated mutual fund investors on the benefits of long-term investing. Financial advisors can also play a key role in educating investors about the value of a long-term investment strategy and the benefits of an appropriate level of portfolio diversification. In periods of declining markets and market volatility, they can also be effective in encouraging clients to assume a long-term investment outlook and continue to invest.

Investors Group and Mackenzie provide Consultants and independent financial advisors, respectively, with superior levels of service and support and a broad range of investment products – based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships. As a result, the Company has been able to maintain redemption rates that are among the lowest in the industry.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Investors Group Inc. and related financial information have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by extensive internal audit programs, which are subject to scrutiny by the shareholders' auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting of directors who are not officers or employees of the Company. This Committee reviews the consolidated financial statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the shareholders' auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the shareholders' auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte & Touche LLP, independent auditors appointed by the shareholders, have examined the consolidated financial statements of Investors Group Inc. in accordance with Canadian generally accepted auditing standards and have expressed their opinion upon completion of their examination in their Report to the Shareholders. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the systems of internal control.

R. Jeffrey Orr
President & Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President, Finance

AUDITORS' REPORT

To the Shareholders, Investors Group Inc.

We have audited the consolidated balance sheets of Investors Group Inc. as at December 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
January 31, 2002

CONSOLIDATED BALANCE SHEETS

As at December 31 (in thousands of dollars)	**2001**	2000
Assets		
Cash and short term investments	**$ 854,275**	$ 716,202
Securities (Note 2)	**248,205**	416,142
Loans (Note 3)	**655,094**	215,782
Investment in affiliate (Note 5)	**297,810**	293,481
Deferred selling commissions	**657,221**	70,771
Future income taxes	**–**	48,568
Other assets (Note 6)	**388,941**	201,268
Goodwill	**3,020,922**	22,998
	$ 6,122,468	$ 1,985,212
Liabilities		
Deposits and certificates (Note 7)	**$ 671,248**	$ 218,980
Bankers' acceptances (Note 8)	**497,000**	–
Other liabilities (Note 9)	**779,853**	501,512
Future income taxes (Note 11)	**120,234**	–
Long term debt (Note 12)	**1,362,268**	168,435
Non-controlling interest	**13,621**	–
	3,444,224	888,927
Shareholders' Equity		
Share capital (Note 13)		
Preferred	**360,000**	–
Common	**1,431,163**	272,756
Retained earnings	**884,531**	823,529
Foreign currency translation adjustment	**2,550**	–
	2,678,244	1,096,285
	$ 6,122,468	$ 1,985,212

(See accompanying notes to consolidated financial statements.)

On behalf of the Board

Director

Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31 (in thousands of dollars, except per share amounts)	2001	2000
Fee and net investment income		
Management	**$ 1,273,608**	$ 824,130
Administration	**249,100**	142,660
Distribution	**126,409**	108,714
Net investment income and other	**135,048**	121,604
Total fee and net investment income	**1,784,165**	1,197,108
Operating expenses		
Commission expense	**496,944**	357,160
Non-commission expenses	**519,967**	330,394
Interest expense	**73,195**	2,844
Restructuring costs (Note 19)	**95,610**	–
Total operating expenses	**1,185,716**	690,398
Income before income taxes and non-controlling interest	**598,449**	506,710
Income taxes (Note 11)	**252,994**	222,418
	345,455	284,292
Non-controlling interest	**492**	–
Net income before goodwill amortization	**344,963**	284,292
Goodwill amortization, net of tax	**71,969**	267
Net income	**272,994**	284,025
Preferred dividends	**13,299**	–
Net income available to common shareholders		
Including goodwill amortization	**$ 259,695**	$ 284,025
Excluding goodwill amortization	**$ 331,664**	$ 284,292
Average number of common shares (in thousands)		
– Basic	**247,093**	210,012
– Diluted	**247,932**	210,870
Earnings per share (in dollars)		
Including goodwill amortization		
– Basic	**$ 1.051**	$ 1.352
– Diluted	**$ 1.047**	$ 1.347
Excluding goodwill amortization		
– Basic	**$ 1.342**	$ 1.354
– Diluted	**$ 1.338**	$ 1.348

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31 (in thousands of dollars)	2001	2000
Balance, beginning of year		
As previously reported	**$ 823,529**	$ 694,710
Change in accounting policy (Note 1)	**–**	(11,215)
As restated	**823,529**	683,495
Net income	**272,994**	284,025
Dividends		
Preferred	**(13,299)**	–
Common	**(182,747)**	(128,051)
Share issue expense, net of tax	**(5,658)**	–
Premium paid on common shares purchased for cancellation (Note 13)	**(10,288)**	(15,940)
Balance, end of year	**$ 884,531**	$ 823,529

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in thousands of dollars)	2001	2000
Operating activities		
Net income	$ 272,994	$ 284,025
Adjustments to determine net cash from operating activities		
Future income taxes	(25,465)	(32,032)
Commission expense	236,110	201,779
Depreciation	26,763	11,489
Goodwill amortization	72,312	477
Other	35,420	60,133
	618,134	525,871
Commissions paid	(237,587)	(212,635)
	380,547	313,236
Financing activities		
Increase (decrease) in customer deposits	32,381	(87,829)
Net proceeds on bankers' acceptances	497,000	–
Proceeds from bank term loan	550,000	–
Issue of debentures	600,000	–
Repayment of long term debt	(36,967)	(2,785)
Issue of common shares	373,004	1,780
Issue of preferred shares	360,000	–
Share issuance costs	(9,708)	–
Preferred dividends paid	(13,299)	–
Common dividends paid	(166,333)	(121,843)
Shares purchased for cancellation	(14,137)	(17,121)
	2,171,941	(227,798)
Investing activities		
Acquisition of Mackenzie Financial Corporation less cash and short term investments acquired (Note 19)	(2,601,695)	–
Purchase of securities	(41,207)	(71,484)
Proceeds from the sale of securities	269,763	87,486
Increase in loans	(716,175)	(579,013)
Proceeds from securitizations	703,227	671,958
Net proceeds from the sale of real estate	1,481	9,001
Additions to capital assets	(29,809)	(14,707)
	(2,414,415)	103,241
Increase in cash and cash equivalents	138,073	188,679
Cash and cash equivalents, beginning of year	716,202	527,523
Cash and cash equivalents, end of year	$ 854,275	$ 716,202
Cash	$ 234,223	$ 110,316
Short term investments	620,052	605,886
	$ 854,275	$ 716,202

(See accompanying notes to consolidated financial statements.)

December 31, 2001 (In thousands of dollars, except share amounts)

1. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

GAAP requires Management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results may differ from such estimates.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances.

Effective April 20, 2001, the Company acquired all of the outstanding common shares of Mackenzie Financial Corporation (Mackenzie). The acquisition was accounted for by the purchase method. The consolidated financial statements include the assets and liabilities of Mackenzie as at December 31, 2001 and the results of operations from the date of acquisition.

The equity method is used to account for the Company's investment in Great-West Lifeco Inc., an affiliated company. Both companies are controlled by Power Financial Corporation. Investments in joint ventures that were jointly controlled were consolidated on a proportionate basis.

Revenue recognition

Management and administration fees are based on the net asset value of mutual fund assets under management and are recognized on an accrual basis when the service is performed.

Foreign currency translation

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and all income and expense items are translated at average exchange rates prevailing throughout the year. Any resulting translation gains or losses are reported in shareholders' equity as a currency translation adjustment.

Securities

Bonds and debentures are carried at amortized cost plus accrued interest. Discounts or premiums on the purchase of bonds and debentures are amortized over the remaining life of the security. Common and preferred shares and all other securities are carried at original cost plus declared dividends. Securities are written down to their fair value when a permanent decline in value is identified.

Loans

Loans are carried at amortized cost plus accrued interest less an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than impaired loans.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt. Once a loan is classified as impaired, any accrued and unpaid interest income is reversed and charged against interest income in the current period. Thereafter interest income is recognized on a cash basis.

The Company maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, designated general allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by the Company suggests that losses may occur but where such losses cannot yet be identified on an individual loan basis.

Securitizations

The Company periodically securitizes mortgages and personal loans through sales to commercial paper conduits that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. The Company also securitizes mortgages through the issuance of mortgage-backed securities. Effective July 1, 2001, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline 12 (AcG 12) – Transfers of Receivables, for transfers of loans occurring on or after July 1, 2001.

1. Summary of significant accounting policies (cont'd)

Under AcG 12, transfers of loans are treated as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. The loans are removed from the consolidated balance sheet and a gain or loss is recognized in income immediately based on the carrying value of the loans transferred, allocated between the assets sold and the retained interests in proportion to their fair values at the date of transfer. The fair values of loans sold, retained interests and recourse liabilities are determined using either quoted market prices, pricing models which take into account management's best estimates of key assumptions such as expected losses, prepayment and discount rates commensurate with the risks involved, or sales of similar assets. The Company continues to service the loans sold. As a result, a servicing liability is recognized and amortized over the servicing period as servicing fees.

Transfers of loans occurring, or committed to, prior to July 1, 2001, are accounted for as sales when the significant risks and rewards of ownership have been transferred and there is reasonable assurance regarding the measurement of the consideration derived from the sale. Gains on these transactions are recognized over the term of the structure provided that there is no recourse to the Company for the consideration derived from the sale. To the extent there is recourse to the Company on the transaction, any gain is deferred until the cash is collected and there is no recourse. Fees earned by the Company to service the securitized loans are recognized as services are provided.

For all transfers of loans, gains and losses on sale and servicing fee revenues are reported in net investment income and other in the consolidated statement of income. The servicing liability is recorded in other liabilities on the consolidated balance sheet.

Deferred selling commissions

Commissions paid on the sale of certain mutual fund products are deferred and amortized against related fee income over a maximum period of seven years. Prior to April 1, 2001, the maximum period for amortization was three years. The Company has changed the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie. The change in accounting estimate was applied prospectively and resulted in a decrease of $61,591 ($35,069 after tax) in commissions expense for the nine month period ended December 31, 2001. Commissions paid on the sale of deposits are deferred and amortized over the term of the deposit with a maximum amortization period of five years.

Office premises

Office premises are recorded at cost of $203,583 (2000 – $152,361), less accumulated depreciation of $94,522 (2000 – $70,176). The depreciable properties and related equipment and furnishings are depreciated on a straight-line basis over their estimated lives.

Goodwill

Goodwill, representing the excess of the purchase price over the fair value of net assets acquired, is amortized over 30 years using the straight-line method. Goodwill is evaluated periodically by reviewing the returns of the related business and a write-down is taken to reflect any permanent impairment.

In August 2001, the CICA issued new CICA Handbook Section 3062 – Goodwill and Other Intangible Assets. This Section addresses the accounting and disclosure requirements for goodwill and other intangible assets. The Company will be adopting the requirements of this standard on January 1, 2002. Under this standard, goodwill and intangible assets with an indefinite life will no longer be amortized but must be reviewed at least annually for impairment, and written down for impairment losses.

Pension plans and other post-retirement benefits

The Company maintains a defined-benefit pension plan for substantially all of its eligible employees. The plan provides pensions based on length of service and final average earnings. The benefit obligation is actuarially determined and accrued using the projected benefit method pro-rated on service. Pension expense or income consists of the aggregate of the actuarially computed cost of pension benefits provided in respect of the current year's service, imputed interest on the funding excess or deficiency of the plan, and the amortization of actuarial gains or losses over the expected average remaining service life of employees. Plan assets are valued at market value for purposes of calculating the expected long-term rate of return.

The Company also has an unfunded supplementary pension plan for certain executive officers. Pension expense related to current services are charged to income in the period during which the services are rendered.

The Company also provides certain post-retirement health care and life insurance benefits to eligible retirees. Effective January 1, 2000, the Company adopted the recommendations of the CICA Handbook Section 3461 – Employee Future Benefits which requires that post-retirement benefits other than pensions be accrued over the periods of employee service similar to pension costs. The Company applied the standard retroactively with no restatement of prior periods. The cumulative effect of adopting the new recommendations was to increase Other liabilities by $20,435, increase future income tax assets by $9,220, and decrease opening Retained earnings by $11,215.

December 31, 2001 (In thousands of dollars, except share amounts)

1. Summary of significant accounting policies (cont'd)

Income taxes

Effective January 1, 2000, the Company adopted the recommendations of the Accounting Standards Board (AcSB) of the CICA Handbook section 3465 – Income Taxes, which replaced the deferral method with the liability method of tax allocation. The adoption of the standard, which was applied retroactively with no restatement of prior periods, did not have a significant effect on the Company's consolidated financial statements.

Under the liability method, future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined based on the enacted or substantively enacted tax rates which are expected to be in effect when the underlying items of income or expense are expected to be realized.

Earnings per share

Effective January 1, 2001, the Company adopted the recommendations of the CICA Handbook Section 3500 – Earnings Per Share. The new section harmonizes Canadian and United States standards for the calculation of earnings per share. This change in accounting policy has been applied retroactively. The impact of this change in accounting policy to the financial statements was not material.

Off-balance sheet financial instruments

The Company enters into various derivative contracts in order to manage its interest rate, currency and market risks. The accounting policies used for derivative financial instruments which are used for hedging purposes correspond to those used for the underlying hedged positions.

Assets under management and assets under administration

The Company manages and administers assets owned by clients and third parties that are not reflected on the balance sheet. Mutual fund assets managed by the Company on behalf of its clients are considered assets under management. Mortgages serviced for third parties and assets administered in the Company's securities operations are considered assets under administration.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. Securities

	2001		2000	
	Cost	**Market**	Cost	Market
Government bonds	**$ 3,116**	**$ 3,209**	$ 57,179	$ 57,347
Corporate bonds	**796**	**796**	16,889	17,243
Preferred shares	**12,570**	**12,966**	73,630	80,271
Common shares	**166,961**	**353,336**	265,894	455,402
Investment in mutual funds	**64,762**	**61,443**	2,550	2,591
	$ 248,205	**$ 431,750**	$ 416,142	$ 612,854

	Term to Maturity				
	1 Year or Less	**1 – 5 Years**	**No Specific Maturity**	**2001 Total**	2000 Total
Government bonds	**$ 1,040**	**$ 2,076**	**$ –**	**$ 3,116**	$ 57,179
Yield (1)	**5.92%**	**5.37%**	**–**	**5.55%**	
Corporate bonds	**–**	**796**	**–**	**796**	16,889
Yield (1)	**–**	**4.68%**	**–**	**4.68%**	
Preferred shares	**5,863**	**6,707**	**–**	**12,570**	73,630
Yield (1) (2)	**4.71%**	**6.63%**	**–**	**5.73%**	
Common shares	**–**	**–**	**166,961**	**166,961**	265,894
Yield (1) (2)	**–**	**–**	**5.02%**	**5.02%**	
Investment in mutual funds	**–**	**–**	**64,762**	**64,762**	2,550
	$ 6,903	**$ 9,579**	**$ 231,723**	**$ 248,205**	$ 416,142

(1) Represents weighted average yield based on carrying values.

(2) Yields on tax exempt securities have not been calculated on a taxable equivalent basis.

December 31, 2001 (In thousands of dollars, except share amounts)

3. Loans

	Term to Maturity 1 Year or Less	1 – 5 Years	Over 5 Years	2001 Total	2000 Total
Residential mortgages	$ 213,104	$ 242,711	$ 14,262	$ 470,077	$ 224,217
Commercial mortgages	6,585	11,324	–	17,909	–
	219,689	254,035	14,262	487,986	224,217
Personal loans	76,298	75,084	37,047	188,429	–
	$ 295,987	$ 329,119	$ 51,309	676,415	224,217
Less: General allowance				21,321	8,435
				$ 655,094	$ 215,782

	2001	2000
Impaired loans included above	$ 3,446	$ 674
Less: General allowance	21,321	8,435
	$ (17,875)	$ (7,761)

The change in the allowance for credit losses is as follows:	2001	2000
Balance, beginning of year	$ 8,435	$ 8,501
Mackenzie, balance at date of acquisition	13,307	–
Write-offs	(1,967)	(388)
Recoveries	304	140
Provision for credit losses	1,242	182
Balance, end of year	$ 21,321	$ 8,435

4. Securitizations

	2001	2000
Residential mortgages	$ 620,462	$ 669,803
Mortgage-backed securities	382,355	–
Personal loans	41,392	–
	$ 1,044,209	$ 669,803

Since July 1, 2001 (refer to Note 1), the Company securitized residential mortgages of $38,492 resulting in recognition of a net gain on sale of $609. The Company's retained interest, which consists of its rights to future cash flows, had a fair market value of $8,263 at December 31, 2001. The key assumptions used to measure fair value at the date of securitization were a prepayment rate of 7.00%, an excess spread of 1.25%, and a discount rate of 5.52%. There are no expected credit losses.

5. Investment in affiliate

The Company holds a 4.3% equity interest in Great-West Lifeco Inc. Goodwill of $128,870 (2000 – $133,850) is included in the carrying value of the investment.

	2001	2000
Carrying value, beginning of year	$ 293,481	$ 280,040
Share of earnings	21,970	28,972
Goodwill amortization	(4,981)	(4,981)
Dividends	(12,660)	(10,550)
Carrying value, end of year	$ 297,810	$ 293,481

December 31, 2001 (In thousands of dollars, except share amounts)

6. Other assets

	2001	2000
Accounts and other receivables	**$ 199,597**	$ 75,014
Office premises	**109,061**	82,185
Accrued pension asset	**36,832**	31,702
Real estate	**4,420**	5,860
Other	**39,031**	6,507
	$ 388,941	$ 201,268

7. Deposits and certificates

Included in the assets of the consolidated balance sheets are cash and investments amounting to $671,248 (2000 – $218,980) held in trust and set aside in respect of the deposits of Investors Group Trust Co. Ltd., The Trust Company of London Life and M.R.S. Trust Company, and the certificates issued by Investors Syndicate Limited.

		Term to Maturity				
	Demand	1 Year or Less	1 – 5 Years	Over 5 Years	2001 Total	2000 Total
Deposits	**$ 356,490**	**$ 126,835**	**$ 167,127**	**$ 6,270**	**$ 656,722**	$ 194,835
Certificates	**–**	**3,525**	**5,247**	**5,754**	**14,526**	24,145
	$ 356,490	**$ 130,360**	**$ 172,374**	**$ 12,024**	**$ 671,248**	$ 218,980

8. Bankers' acceptances

A Schedule 1 Canadian chartered bank has provided the Company with a non-revolving bridge credit facility which formed part of the consideration for the acquisition of Mackenzie. The balance of the credit facility is due on November 30, 2002. Interest rates on the credit facility fluctuate with Canadian bankers' acceptances.

9. Other liabilities

	2001	2000
Accounts payable and accrued liabilities	**$ 292,350**	$ 201,405
Restructuring costs	**130,456**	–
Income taxes payable	**84,596**	129,710
Dividends and interest payable	**73,703**	35,687
Deferred revenue	**59,210**	13,247
Accrued employee benefit obligations	**37,384**	33,334
Other	**102,154**	88,129
	$ 779,853	$ 501,512

December 31, 2001 (In thousands of dollars, except share amounts)

10. Pension plans and other post-retirement benefits

Employee pension plan

The Company maintains a defined benefit pension plan which covers substantially all of its eligible employees. Changes in the fair value of plan assets and the accrued pension obligation are as follows:

	2001	2000
Fair value of plan assets		
Balance, beginning of year	$ 145,797	$ 128,652
Employee contributions	2,909	2,186
Benefits paid	(7,358)	(5,913)
Return on plan assets	1,233	20,872
Balance, end of year	142,581	145,797
Accrued benefit obligation		
Balance, beginning of year	77,660	76,951
Benefits paid	(7,358)	(5,913)
Current service cost	2,519	1,569
Employee contributions	2,909	2,186
Interest cost	5,717	5,831
Actuarial losses (gains)	2,803	(2,964)
Balance, end of year	84,250	77,660
Funded status – plan surplus	58,331	68,137
Unamortized net actuarial gains	(21,499)	(36,435)
Accrued pension asset	$ 36,832	$ 31,702

	2001	2000
Pension expense (income) was determined as follows:		
Current service cost	$ 2,519	$ 1,569
Interest cost	5,717	5,831
Expected return on plan assets	(10,032)	(8,875)
Amortization of net actuarial gains	(3,334)	(2,009)
	$ (5,130)	$ (3,484)

	2001	2000
Significant weighted-average actuarial assumptions:		
Discount rate	6.95%	7.20%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	6.10%	6.10%

Supplementary employee retirement plan

The Company maintains an unfunded supplementary pension plan for certain executive officers.

	2001	2000
Accrued benefit liability, end of year	$ 12,446	$ 10,321
Pension expense	$ 2,847	$ 1,352
Significant weighted-average actuarial assumptions		
Discount rate	6.88%	7.00%
Rate of compensation increase	6.10%	6.10%

December 31, 2001 (In thousands of dollars, except share amounts)

10. Pension plans and other post-retirement benefits (cont'd)

Post-retirement benefit plans

The Company also provides certain unfunded post-retirement health care and life insurance benefits to eligible retirees.

		2001		2000
Accrued benefit liability				
Balance, beginning of year	$	20,713	$	20,435
Benefits paid		(835)		(691)
Current service cost		1,306		1,639
Interest cost		1,596		1,630
Actuarial gains		–		(2,300)
		22,780		20,713
Unamortized actuarial gains		2,158		2,300
Balance, end of year	$	24,938	$	23,013

Benefit expense was determined as follows:				
Current service cost	$	1,306	$	1,639
Interest cost		1,596		1,630
Amortization of net actuarial gains		(142)		–
	$	2,760	$	3,269

A discount rate of 7.25% was used to determine the non-pension post-retirement benefit obligation and a 10% trend rate was used to measure the per capita cost of covered health care benefits, declining to 4.5% annually after five years.

11. Income taxes

The effective income tax rate differs from the statutory rate, as described below:

		2001			2000	
Income before income taxes and non-controlling interest	$	598,449		$	506,710	
Income taxes at federal and provincial statutory rates	$	258,840	43.25%	$	229,103	45.21%
Effect of:						
Dividend income		(4,659)	(0.78)		(8,101)	(1.60)
Net capital gains and losses		(3,268)	(0.55)		(2,441)	(0.48)
Tax on large corporations		345	0.06		212	0.04
Lower effective rate of tax on income not subject to tax in Canada and other items		1,736	0.29		3,645	0.72
Income taxes provided	$	252,994	42.27%	$	222,418	43.89%

Components of income tax expense are:				
Current income taxes	$	278,459	$	240,916
Future income taxes		(25,465)		(18,498)
	$	252,994	$	222,418

Future income tax balances result from temporary differences between the tax basis of assets and liabilities and their carrying amount on the balance sheet.

December 31, 2001 (In thousands of dollars, except share amounts)

11. Income taxes (cont'd)

Sources of future income tax balances are as follows:

		2001		2000
Future income tax assets				
Restructuring costs	$	**50,949**	$	–
Investment revaluations		**15,025**		16,254
Accrued employee benefit obligations		**13,651**		12,774
Deferred revenue		**9,496**		8,128
Tax loss carry forwards		**4,876**		12,451
Allowance for credit losses		**4,710**		4,533
Other		**50,080**		43,041
		148,787		97,181
Future income tax liabilities				
Deferred selling commissions		**242,739**		30,947
Other		**26,282**		17,666
		269,021		48,613
Future income taxes	$	**(120,234)**	$	48,568

12. Long term debt

			2001		2000
5.52%	Preferred A units, due December 31, 2002	$	**47,118**	$	–
–	Note Payable to Quadrus Investment Services Ltd., due December 31, 2003, non-interest bearing		**8,000**		9,500
10.60%	Note Payable to Power Financial Corporation, due January 16, 2006		**32,150**		33,935
–	Floating Bankers' Acceptance, due May 30, 2006		**550,000**		–
6.75%	Debentures 2001 Series, due May 9, 2011		**450,000**		–
6.65%	Debentures 1997 Series, due December 13, 2027		**125,000**		125,000
7.45%	Debentures 2001 Series, due May 9, 2031		**150,000**		–
		$	**1,362,268**	$	168,435

A syndicate of banks has provided the Company with a $550,000 non-revolving credit facility which is due on May 30, 2006. Interest rates on the credit facility fluctuate with Canadian bankers' acceptances.

The debentures are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.

Interest expense relating to this debt was $61,707 (2000 – $11,931).

The annual principal payments in each of the next five years are: 2002 – $50,903; 2003 – $7,785; 2004 – $1,785; 2005 – $1,785; and 2006 – $575,010.

13. Share capital

Authorized

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares

December 31, 2001 (In thousands of dollars, except share amounts)

13. Share capital (cont'd)

Issued and outstanding

	2001 Shares	2001 Stated Value	2000 Shares	2000 Stated Value
First preferred shares, Series A	**14,400,000**	**$ 360,000**	–	$ –
Common shares				
Balance, beginning of year	**209,742,580**	**$ 272,756**	210,453,180	$ 272,157
Issued to related parties (Note 19)	**14,732,000**	**368,300**	–	–
Issued on acquisition of Mackenzie (Note 19)	**38,802,952**	**789,252**	–	–
Issued under Stock Option Plan	**512,199**	**4,704**	201,100	1,780
Purchased for cancellation	**(708,000)**	**(3,849)**	(911,700)	(1,181)
Balance, end of year	**263,081,731**	**$ 1,431,163**	209,742,580	$ 272,756

Issuance of preferred shares

On May 9, 2001, the Company issued 14,400,000 5.75% first preferred shares, Series A, for consideration of $360,000. The shares are non-voting except in certain instances. Non-cumulative cash dividends are payable quarterly. The shares are redeemable by the Company beginning June 30, 2009, on a declining premium basis, for cash or, subject to regulatory approval, through the issuance of common shares. On and after June 30, 2013, the shares may be converted into common shares at the option of the holder, subject to the right of the Company to redeem or find substitute purchasers prior to the conversion date at the purchase price of $25.00 cash per share.

Share purchase plans

Under the Company's share purchase plans, eligible employees and financial planning consultants can choose each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. The Company's contributions vest after a maximum period of three years of continuous participation in the plan. The Company's contributions are expensed as paid and totalled $4,443 (2000 – $3,789).

Stock option plan

Under the terms of the Company's Stock Option Plan, options to purchase common shares are periodically granted to designated officers, employees and financial planning consultants at prices not less than the market price of such shares immediately prior to the grant date. The options are subject to time and/or performance vesting conditions set out at the date of grant and are exercisable no later than 10 years after date of grant.

The Company's Stock Option Plan was amended to provide that an additional 15,000,000 common shares of the Company be reserved for issuance under the Plan, subject to ratification by the shareholders at their next meeting. At December 31, 2001, a maximum number of 20,028,701 (5,540,900 at December 31, 2000) common shares are reserved for issuance under the plan. Compensation expense is not recognized for the stock option plan when stock or stock options are issued. Any consideration paid on exercise of stock options to purchase stock is credited to share capital.

	2001 Number of Options	2001 Weighted-Average Exercise Price	2000 Number of Options	2000 Weighted-Average Exercise Price
Balance, beginning of year	**2,827,740**	**$ 14.68**	2,935,600	$ 14.24
Granted	**4,125,835**	**20.22**	151,000	17.00
Exercised	**(512,199)**	**9.18**	(201,100)	8.85
Cancelled	**(52,145)**	**20.46**	(57,760)	18.80
Balance, end of year	**6,389,231**	**$ 18.65**	2,827,740	$ 14.68
Exercisable, end of year	**1,469,961**	**$ 13.30**	1,652,460	$ 10.76

December 31, 2001 (In thousands of dollars, except share amounts)

13. Share capital (cont'd)

Options outstanding at December 31, 2001	Expiry Date	Exercise Price $	Options Outstanding	Options Exercisable
	2005	8.66	806,541	806,541
	2006	8.89	24,000	24,000
	2007	12.98–13.55	153,600	122,080
	2008	18.85–20.99	325,400	193,640
	2009	18.99–24.27	827,500	295,500
	2010	17.00	141,000	28,200
	2011	19.83–22.78	4,111,190	–
			6,389,231	1,469,961

Normal course issuer bid

In February 2001, the Company filed a normal course issuer bid authorizing it to acquire for cancellation up to 10.5 million or 5% of the common shares outstanding on February 1, 2001. The share purchase program, conducted on the open market through the Toronto Stock Exchange, will expire on February 14, 2002. To December 31, 2001, 708,000 common shares were repurchased at a cost of $14,137 and the premium paid to acquire the shares was charged to retained earnings.

14. Off-balance sheet financial instruments

The Company enters into derivative contracts which are negotiated in the over-the-counter market with Schedule I and Schedule II Chartered bank counterparties on a diversified basis. In all cases the derivative contracts are used for non-trading purposes and they are designated as hedges. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Interest rate swaps are used for the purpose of asset and liability management to manage interest rate risk. Equity index swaps are contractual agreements to exchange payments based on a specified notional amount and the stock market index reference for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific securities at a fixed price at a future date. Forward sales are contractual agreements to sell a financial instrument on a future date at a specified price. Equity index swaps, options and forward sales are used to manage equity market risk through hedging activities that are designed to offset changes in the equity markets that affect income earned on assets under management.

The amount subject to credit risk is limited to the current market value of the instruments which are in a gain position. This represents only a small percentage of the notional amount. The credit risk is presented without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this does not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

The following table summarizes the Company's off-balance sheet financial instruments at December 31:

	Notional Amount				
	1 Year or Less	1 – 5 Years	Total	Credit Risk	Total Estimated Fair Value
2001					
Swaps	**$ 173,300**	**$ 619,600**	**$ 792,900**	**$ 10,630**	**$ (6,237)**
Options purchased	**30,921**	**67,439**	**98,360**	**3,276**	**3,276**
Options written	**31,961**	**81,825**	**113,786**	**–**	**(23,070)**
Forward sales	**9,837**	**16,545**	**26,382**	**1,256**	**394**
	$ 246,019	**$ 785,409**	**$ 1,031,428**	**$ 15,162**	**$ (25,637)**
2000					
Swaps	$ 39,600	$ 148,000	$ 187,600	$ 1,334	$ (393)
Options purchased	42,652	111,781	154,433	1,615	1,615
Options written	44,096	130,190	174,286	–	(22,314)
	$ 126,348	$ 389,971	$ 516,319	$ 2,949	$ (21,092)

December 31, 2001 (In thousands of dollars, except share amounts)

15. Fair value of financial instruments

The following table represents the fair value of on and off-balance sheet financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties under no compulsion to act and best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

			2001			2000
	Book Value	Fair Value	Fair Value Over (Under) Book Value	Book Value	Fair Value	Fair Value Over (Under) Book Value
Assets						
Cash and short term investments	$ 854,275	$ 854,275	$ –	$ 716,202	$ 716,202	$ –
Securities	248,205	431,750	183,545	416,142	612,854	196,712
Loans	655,094	661,797	6,703	215,782	215,788	6
Investment in affiliate	297,810	556,723	258,913	293,481	602,982	309,501
Accounts and other receivables	199,597	199,597	–	75,014	75,014	–
Total financial assets	2,254,981	$ 2,704,142	$ 449,161	1,716,621	$ 2,222,840	$ 506,219
Non-financial assets	3,867,487			268,591		
Total assets	$ 6,122,468			$ 1,985,212		
Liabilities						
Deposits and certificates	$ 671,248	$ 681,552	$ 10,304	$ 218,980	$ 220,810	$ 1,830
Bankers' acceptances	497,000	497,000	–	–	–	–
Other financial liabilities	627,837	627,837	–	349,500	349,500	–
Long term debt	1,362,268	1,373,998	11,730	168,435	160,789	(7,646)
Total financial liabilities	3,158,353	$ 3,180,387	$ 22,034	736,915	$ 731,099	$ (5,816)
Non-financial liabilities	285,871			152,012		
Total liabilities	$ 3,444,224			$ 888,927		
Derivatives (Note 14)	$ –	$ (25,637)	$ (25,637)	$ –	$ (21,092)	$ (21,092)

Fair value is determined using the following methods and assumptions:

- The fair value of short term financial instruments approximate book value. These include cash and short term investments, accounts and other receivables, bankers' acceptances, and other liabilities.
- Securities are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk.
- Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long term debt is determined by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

16. Contingencies and commitments

The Company is committed to the following annual lease payments under its operating leases: 2002 – $43,626; 2003 – $34,461; 2004 – $27,147; 2005 – $23,227 and 2006 – $20,458.

December 31, 2001 (In thousands of dollars, except share amounts)

17. Related party transactions

The Company enters into transactions with The Great-West Life Assurance Company and London Life Insurance Company, subsidiaries of its affiliate, Great-West Lifeco Inc. These transactions are in the normal course of operations and at market terms and conditions.

	2001	2000
The Company sold residential mortgage loans to Great-West Life and London Life	**$ 278,031**	$ 296,698
The Company distributes life insurance and disability insurance products of Great-West Life	**$ 16,878**	$ 16,166
London Life distributes certain mutual funds of the Company	**$ 4,106**	$ 7,002
The Company provides certain administrative services to these affiliates	**$ 5,793**	$ 5,792

18. Segmented information

The Company acquired Mackenzie Financial Corporation effective April 20, 2001. As a result, the Company revised its reportable segments from fee-based operations and intermediary operations to Investors Group, Mackenzie, and Corporate and Other to conform to the current organizational structure and to the basis upon which management measures and evaluates performance. Accordingly, the segmented information from the prior year has been restated.

Investors Group and Mackenzie earn fee-based revenues in the conduct of their core business activities which are primarily related to the distribution, management and administration of their mutual funds. Fee revenues are also derived from the provision of brokerage services. Intermediary revenues are derived primarily from the assets funded by deposit and certificate products and from mortgage banking and servicing activities. In addition, Investors Group earns fee revenue from the distribution of insurance products.

Corporate and Other includes primarily net investment income on unallocated investments and interest expense on corporate debt.

				2001			2000
	Investors Group	**Mackenzie**	**Corporate and Other**	**Total**	Investors Group	Corporate and Other	Total
Income	**$ 1,168,459**	**$ 571,886**	**$ 43,820**	**$ 1,784,165**	$ 1,141,116	$ 55,992	$ 1,197,108
Expenses	**578,586**	**438,325**	**–**	**1,016,911**	687,554	–	687,554
Earnings before interest and taxes	**$ 589,873**	**$ 133,561**	**$ 43,820**	**767,254**	$ 453,562	$ 55,992	509,554
Restructuring costs				**95,610**			–
Interest expense				**73,195**			2,844
Net income before income taxes and non-controlling interest				**598,449**			506,710
Income taxes				**252,994**			222,418
Non-controlling interest				**492**			–
Net income before goodwill amortization				**344,963**			284,292
Goodwill amortization, net of tax				**71,969**			267
Net income				**$ 272,994**			$ 284,025
Total assets under management and administration:	**$43,786,454**	**$39,410,912**	**$ 827,968**	**$84,025,334**	$46,331,575	$ 1,022,504	$47,354,079

December 31, 2001 (In thousands of dollars, except share amounts)

19. Acquisition of Mackenzie Financial Corporation

Effective April 20, 2001, the Company acquired all of the outstanding common shares of Mackenzie Financial Corporation (Mackenzie), a Canadian financial services company, for a cash consideration of $3.202 billion and the issue of 38,802,952 common shares of the Company which represented a total consideration of $3.991 billion including transaction costs. Consideration paid consisted of the following:

($ millions)		
Cash	$	427
Bridge credit facility		897
Bank term loan		550
Issue of debentures		600
Issue of preferred shares		360
Issue of common shares		368
Total cash consideration		3,202
Fair value of share exchange		789
Total consideration	$	3,991

To support this transaction, on April 19, 2001 The Great-West Life Assurance Company, an affiliate of the Company, invested $230 million to acquire 9,200,000 common shares while Power Financial Corporation invested $138.3 million to acquire 5,532,000 common shares and now owns 56.1% of the outstanding common shares of the Company.

The acquisition was accounted for by the purchase method and the results of Mackenzie's operations have been included in the consolidated statement of income from the date of acquisition.

Details of the consideration paid and the fair values of the net assets acquired are as follows:

($ millions)		
Fair value of assets acquired:		
Cash and short term investments	$	600
Securities		47
Loans		427
Deferred selling commissions		585
Other assets		132
		1,791
Less liabilities assumed and non-controlling interest:		
Deposits		423
Other liabilities		215
Restructuring costs allocated to purchase price		24
Future income taxes		194
Non-controlling interest		14
		870
Fair value of net assets acquired		921
Goodwill		3,070
Total purchase consideration	$	3,991

The purchase price has been allocated preliminarily to tangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of consideration paid over the estimated fair value of net assets acquired has been recorded as goodwill. The final allocation of the purchase price will be determined after appraisals and a comprehensive evaluation of the fair value of the assets acquired and liabilities assumed are completed.

The Company has commenced the integration and rationalization of its administration, systems and operations. Estimated costs of $95.6 million ($56.0 million after tax) were charged to earnings in the second quarter of 2001. These costs include severance and related expenses, decommissioning of systems, and restructuring certain businesses. At December 31, 2001, the unexpended portion of the restructuring provision was $85.2 million.

Condensed Consolidated Statements of Income (in thousands of dollars except amounts per share)

For the years ended December 31	2001	2000	1999	1998	1997	5 Year % CAGR [1]	1996	1995	1994	1993	1992	10 Year % CAGR [1]
Fee income	1,649,117	1,075,504	939,656	864,445	730,819	*24.8*	544,375	434,447	407,710	336,891	256,154	*23.2*
Net investment income	135,048	121,604	86,782	73,730	71,031	*14.3*	69,101	54,014	39,571	47,820	60,871	*9.9*
	1,784,165	1,197,108	1,026,438	938,175	801,850	*23.8*	613,476	488,461	447,281	384,711	317,025	*21.4*
Operating expenses	1,185,716	690,398	612,300	614,004	552,454	*22.2*	434,643	339,705	327,100	290,147	239,725	*19.9*
Income before taxes and non-controlling interest	598,449	506,710	414,138	324,171	249,396	*27.3*	178,833	148,756	120,181	94,564	77,300	*25.2*
Income taxes	252,994	222,418	178,525	135,827	101,884	*32.8*	61,331	51,049	35,578	24,261	18,967	*35.2*
	345,455	284,292	235,613	188,344	147,512	*24.1*	117,502	97,707	84,603	70,303	58,333	*21.2*
Non-controlling interest	492	–	–	–	–	–	–	–	–	–	–	–
Net income before goodwill amortization	344,963	284,292	235,613	188,344	147,512	*24.0*	117,502	97,707	84,603	70,303	58,333	*21.1*
Goodwill amortization	71,969	267	–	–	–	–	–	–	–	–	–	–
Net income	272,994	284,025	235,613	188,344	147,512	*18.4*	117,502	97,707	84,603	70,303	58,333	*18.3*
Preferred dividends	13,299	–	–	–	–	–	–	–	–	–	–	–
Net income available to common shareholders												
Including goodwill amortization	259,695	284,025	235,613	188,344	147,512	*17.2*	117,502	97,707	84,603	70,303	58,333	*17.7*
Excluding goodwill amortization	331,664	284,292	235,613	188,344	147,512	*23.1*	117,502	97,707	84,603	70,303	58,333	*20.7*
Excluding goodwill amortization and restructuring costs	387,657	284,292	235,613	188,344	147,512	*27.0*	117,502	97,707	84,603	70,303	58,333	*22.6*
Diluted earnings per share ($)												
Including goodwill amortization	1.05	1.35	1.12	0.89	0.70	*13.6*	0.56	0.46	0.40	0.33	0.29	*14.8*
Excluding goodwill amortization	1.34	1.35	1.12	0.89	0.70	*19.2*	0.56	0.46	0.40	0.33	0.29	*17.6*
Excluding goodwill amortization and restructuring costs	1.56	1.35	1.12	0.89	0.70	*22.9*	0.56	0.46	0.40	0.33	0.29	*19.4*
Dividends per share (¢)	73	61	49	38	30	*24.4*	25	19	16	13	11	*21.6*
ROE [2] (%)												
Excluding goodwill amortization	16.7	28.1	26.4	23.8	21.1	–	18.8	17.3	16.6	15.2	15.4	–
Excluding goodwill amortization and restructuring costs	19.6	28.1	26.4	23.8	21.1	–	18.8	17.3	16.6	15.2	15.4	–
Average shares outstanding (000's)												
– Basic	247,093	210,012	210,854	211,396	211,383	–	211,370	211,370	211,370	211,370	204,156	–
– Diluted	247,932	210,870	210,854	211,396	211,383	–	211,370	211,370	211,370	211,370	204,156	–
Share price (closing $)	25.50	25.95	20.60	26.40	22.60	*13.6*	13.50	8.32	8.69	11.38	6.47	*16.9*
Statistical Data (in millions of dollars)												
Mutual Funds												
Investors Group												
Sales	6,027	7,053	5,915	6,296	6,513	*3.7*	5,031	3,472	4,240	3,940	3,134	*10.3*
Redemption rates (%)												
including MMF [3]	11.6	14.0	11.9	10.0	9.9	–	11.6	15.4	13.7	12.2	11.3	–
excluding MMF [3]	9.6	11.7	9.8	8.3	8.2	–	9.5	13.2	11.6	9.9	8.3	–
Net sales	1,031	976	1,370	2,887	3,522	*(15.3)*	2,361	543	1,900	2,168	1,663	*(0.4)*
Assets under management	41,644	44,498	40,650	36,064	32,248	*10.0*	25,912	20,262	17,571	15,800	11,359	*16.2*
Mackenzie [4]												
Sales	3,452	–	–	–	–	–	–	–	–	–	–	–
Redemption rates (%)		–	–	–	–	–	–	–	–	–	–	–
including MMF [3]	16.7	–	–	–	–	–	–	–	–	–	–	–
excluding MMF [3]	11.6	–	–	–	–	–	–	–	–	–	–	–
Net sales	22	–	–	–	–	–	–	–	–	–	–	–
Assets under management	33,400	–	–	–	–	–	–	–	–	–	–	–
Combined mutual fund assets under management	75,044	44,498	40,650	36,064	32,248	*24.3*	25,912	20,262	17,571	15,800	11,359	*23.5*
Insurance in force (face amount)	24,374	20,876	18,086	14,548	12,279	*18.7*	10,327	9,256	8,158	7,600	7,012	*14.0*
Securities operations assets under administration [5]	4,104	2,646	1,471	590	316	*100.1*	128	–	–	–	–	–
Mortgages serviced [5]	7,659	7,147	7,569	8,144	4,157	*13.1*	4,145	3,935	3,541	3,120	3,015	*10.8*
Deposits and certificates [5]	671	219	307	372	488	*(7.4)*	986	1,032	1,085	1,240	1,426	*(8.4)*
Corporate Assets	6,122	1,985	1,812	1,799	1,765	*25.7*	1,959	1,904	1,866	1,951	2,102	*11.1*
Mutual fund unitholder Accounts [5] (in thousands)	9,226	4,751	4,203	3,627	2,890	*33.3*	2,196	1,726	1,485	1,184	974	*27.1*
Clients [5] (in thousands)	2,625	1,167	1,138	1,053	940	*25.4*	846	764	706	538	475	*19.9*
Consultants	3,409	3,483	3,626	3,774	3,507	*1.4*	3,187	3,032	3,395	3,019	2,491	*5.8*

(1) Compound annual growth rate (2) Return on average common equity (3) Money market and managed yield funds (4) From the date of acquisition or as at December 31, 2001, for Canadian mutual fund operations only (5) Includes Mackenzie as at December 31, 2001

Consolidated Statements of Quarterly Income (in thousands of dollars except amounts per share)

For the years ended December 31	2001				2000			
	4	3	2	1	4	3	2	1
Fee and net investment income								
Management	$ 362,337	$ 360,803	$ 337,686	$ 212,782	$ 212,552	$ 214,799	$ 203,607	$ 193,172
Administration	75,329	71,792	66,330	35,649	38,507	34,858	36,766	32,529
Distribution	34,661	33,783	33,158	24,807	28,734	25,264	24,576	30,140
Net Investment income and other	38,065	36,149	37,673	23,161	44,245	30,990	25,523	20,846
Total fee and net investment income	510,392	502,527	474,847	296,399	324,038	305,911	290,472	276,687
Operating expenses								
Commissions expense	133,601	135,218	130,226	97,899	88,427	84,233	85,294	99,206
Non-commission expenses	143,726	150,948	142,267	83,026	99,627	80,755	73,117	76,895
Interest expense	22,033	25,758	24,735	669	713	714	705	712
Restructuring costs	–	–	95,610	–	–	–	–	–
Total operating expenses	299,360	311,924	392,838	181,594	188,767	165,702	159,116	176,813
Income before incomes taxes and non-controlling interest	211,032	190,603	82,009	114,805	135,271	140,209	131,356	99,874
Income taxes	95,248	74,840	32,308	50,598	55,291	63,621	58,216	45,290
	115,784	115,763	49,701	64,207	79,980	76,588	73,140	54,584
Non-controlling interest	337	19	136	–	–	–	–	–
Net income before goodwill amortization	115,447	115,744	49,565	64,207	79,980	76,588	73,140	54,584
Goodwill amortization	25,290	26,263	20,298	118	67	66	67	67
Net income	90,157	89,481	29,267	64,089	79,913	76,522	73,073	54,517
Preferred dividends	5,175	5,175	2,949	–	–	–	–	–
Net income available to common shareholders								
Including goodwill amortization	$ 84,982	$ 84,306	$ 26,318	$ 64,089	$ 79,913	$ 76,522	$ 73,073	$ 54,517
Excluding goodwill amortization	$ 110,272	$ 110,569	$ 46,616	$ 64,207	$ 79,980	$ 76,588	$ 73,140	$ 54,584
Excluding goodwill amortization and restructuring costs	$ 112,198	$ 110,569	$ 100,683	$ 64,207	$ 79,980	$ 76,588	$ 73,140	$ 54,584
Diluted earnings per share (¢)								
Including goodwill amortization	32.2	31.9	10.4	30.4	37.9	36.3	34.7	25.8
Excluding goodwill amortization	41.8	41.8	18.5	30.5	37.9	36.3	34.7	25.9
Excluding goodwill amortization and restructuring costs	42.5	41.8	39.9	30.5	37.9	36.3	34.7	25.9
Dividends per share (¢)	19.0	19.0	17.5	17.5	16.0	16.0	14.5	14.5

Statistical Data (in millions of dollars)

	2001				2000			
	4	3	2	1	4	3	2	1
Mutual funds								
Investors Group								
Sales	$ 1,264	$ 1,250	$ 1,470	$ 2,043	$ 1,598	$ 1,459	$ 1,557	$ 2,439
Redemption rates (%)								
including MMF (1)	11.6	12.3	12.7	13.2	14.0	14.0	13.9	13.4
excluding MMF (1)	9.6	10.2	10.6	11.0	11.7	11.6	11.4	11.1
Net sales	156	114	179	582	117	87	67	705
Assets under management	41,644	40,562	43,822	42,816	44,498	45,337	43,909	43,117
Mackenzie (2)								
Sales	$ 1,406	$ 1,111	$ 935	$ –	$ –	$ –	$ –	$ –
Redemption rate (%)								
including MMF (1)	16.7	15.3	14.5	–	–	–	–	–
excluding MMF (1)	11.6	11.2	11.1	–	–	–	–	–
Net sales	69	27	(74)	–	–	–	–	–
Assets under management	33,400	28,414	30,510	–	–	–	–	–
Combined mutual fund assets under management	75,044	68,976	74,332	42,816	44,498	45,337	43,909	43,117
Insurance in force (face amount)	24,374	23,928	22,952	22,016	20,876	20,194	19,577	18,847
Securities operations assets under administration (3)	4,104	3,432	3,600	2,651	2,646	2,564	2,289	1,934
Mortgages serviced (3)	7,659	7,745	7,866	7,037	7,147	7,277	7,410	7,477
Deposits and certificates (3)	671	660	620	214	219	241	247	266
Corporate assets	6,122	6,091	6,458	1,986	1,985	1,930	1,825	1,810
Consultants	3,409	3,460	3,532	3,456	3,483	3,511	3,599	3,605

(1) Money market funds and managed yield funds (2) From the date of acquisition or as at December 31, 2001, for Canadian mutual fund operations only (3) Includes Mackenzie as at December 31, 2001

Investors Group Inc. is one of Canada's premier mutual fund, managed asset and wealth creation companies. Today, its controlling shareholder, Power Financial Corporation, holds 56.2% of its outstanding shares.

The Company has two operating units – Investors Group and Mackenzie Financial Corporation. In addition to an exclusive family of mutual funds, managed asset and other investment vehicles, Investors Group offers a wide range of mortgage, insurance and brokerage services. Mackenzie offers a family of mutual and segregated funds, provides trustee, administrative and securities services and offers a wide variety of deposit and lending products.

Operating in the financial services industry, the Company is already subject to many guidelines and regulations concerning its affairs. The Company believes that active Boards and Board Committees are the cornerstone of sound corporate governance, and offers the following comments with respect to its governance practices.

Board and Board Committees

The Board of the Company is comprised of 21 Directors, and there are four Committees of the Board. A total of 22 Board and Board Committee meetings are scheduled for 2002. The mandate of the Board is to supervise the management of the business and affairs of the Company. Some of the key functions of the Board of Directors include succession planning, evaluating the performance and effectiveness of senior management, reviewing the strategic plans developed by senior management, identifying risks and assessing controls, and developing an effective approach to governance issues.

The management of the mutual funds is supervised by a separate Board of Directors composed of individuals who are not Directors of the Board of the Company except for the Chairman.

The mandates of the various Committees of the Board of the Company are as follows:

Executive Committee

The Executive Committee exercises all powers of the Board of Directors between meetings of the Board except those powers which by law cannot be delegated to an executive committee. Its mandate is to supervise the management of the business and affairs of the Company. The Executive Committee is responsible for the development of position descriptions for senior management, the recommendation, after consultation, of appointments to senior management, the review of senior management's performance and effectiveness, the determination of senior management's compensation and establishing the limits of senior management's responsibilities. The Executive Committee is involved on an ongoing basis in reviewing and approving the strategic plans developed by management, as well as the annual business plans incorporating business objectives and key results for which management is also responsible. Nine meetings are scheduled for 2002.

Public Policy Committee

The Public Policy Committee reviews and assesses the Company's policies and procedures with respect to charitable contributions, personnel policies and employment practices and other matters relative to the Company's response to its social obligations and to the public interest in the conduct of its business. Two meetings are scheduled for 2002.

Audit Committee

The primary mandate of the Audit Committee is to review the quarterly and annual financial statements, public disclosure documents containing financial information and reports to be filed with regulatory authorities in connection with the financial condition of the Company. In addition, the Audit Committee reviews and monitors the role of the external auditor and ensures that appropriate internal control procedures are in place to address identified business risks. The Audit Committee regularly meets separately with the external auditor, without the presence of management. Four meetings are scheduled for 2002.

Investment Committee

The Investment Committee's mandate is to monitor the investment operations of the Company and its subsidiaries. The Committee is responsible for reviewing compliance with, and approving changes in, the investment policy of the Company and its subsidiaries. Three meetings are scheduled for 2002.

Board and Board Committee Composition

The majority of the 21 directors on the Board are considered to be unrelated to the Company. In addition, a number of directors are free from any interests in, or relationships with, either the Company or its controlling shareholder.

There is a majority of Directors unrelated to the Company on all Committees of the Board, and the Audit Committee is comprised entirely of non-management Directors. The Chairs of the Board Committees are all non-management Directors.

Board Operation

The Chairman's responsibility toward the efficient operation of the Board includes the recommendation, after consultation, of appropriate candidates for nomination to the Board, recommendations concerning Directors' compensation, and any change that would improve the working of the Board. The Chairman, together with the Chief Executive Officer, also provides new Directors with an orientation to assist the Directors in becoming acquainted with the affairs of the Company. The Board of Directors itself determines the effectiveness of its size to ensure efficiency and to facilitate effective decision-making. It is ultimately the role of the Company's shareholders, however, to assess the effectiveness of the Board of Directors.

The strategic and annual business plans for the Company are submitted to the Board for ratification. Management is expected to implement the plans, achieve the objectives and anticipated results, and to report regularly to the Board and the Executive Committee on their progress.

Committees may, at the expense of the Company, retain such professional advisors as the Committees deem appropriate for purposes of carrying out their duties and responsibilities.

Shareholder Communications

In addition to the public documents the Company is required to file with the various regulatory authorities, the Company regularly communicates with its shareholders and the financial community through quarterly reports, the annual report and press releases, as needed. A question period is reserved for shareholders at the end of each Annual Shareholder's Meeting and shareholders are invited to ask questions or address their comments to the directors and senior officers of the Company. Any shareholder wishing to contact the Company may do so through the Corporate Secretary's Department.

BOARD OF DIRECTORS

H. Sanford Riley
Chairman of the Board

James W. Burns, O.C. [1, 3]
Deputy Chairman
Power Corporation of Canada

Alexander Christ
Past Chairman
Mackenzie Financial Corporation

André Desmarais [1, 4]
President and
Co-Chief Executive Officer
Power Corporation of Canada

Paul G. Desmarais, P.C., C.C.
Chairman of the
Executive Committee
Power Corporation of Canada

Paul Desmarais, Jr. [1, 4]
Chairman and
Co-Chief Executive Officer
Power Corporation of Canada

Alan J. Dilworth, F.C.A.
President
Alan J. Dilworth Consulting Inc.

Wanda M. Dorosz [4]
President, Chief Executive Officer
and Managing Partner
Quorum Group of Companies

Robert Gratton [1, 4]
Chairman of the
Executive Committee
Investors Group Inc.
President and
Chief Executive Officer
Power Financial Corporation

James L. Hunter, F.C.A.
President and
Chief Executive Officer
Mackenzie Financial Corporation

J. David A. Jackson [1, 2]
Partner
Blake, Cassels & Graydon LLP

Daniel Johnson [1, 4]
Counsel
McCarthy Tétrault

The Right Honourable Donald F. Mazankowski, O.C., P.C. [1, 2, 4]
Company Director

John S. McCallum [2, 3]
Professor of Finance
University of Manitoba

Raymond L. McFeetors
President and
Chief Executive Officer
The Great-West Life
Assurance Company

R. Jeffrey Orr [1, 4]
President and
Chief Executive Officer
Investors Group Inc.

Roy W. Piper [2, 3]
Self-Employed Farmer

The Honourable P. Michael Pitfield, P.C., Q.C. [2]
Vice-Chairman
Power Corporation of Canada

Michel Plessis-Bélair, F.C.A. [1, 2, 4]
Vice-Chairman and
Chief Financial Officer
Power Corporation of Canada

H. Sanford Riley [1, 3, 4]
Chairman of the Board
Investors Group Inc.

Susan Sherk [1, 3]
Senior Consultant
AMEC Earth and
Environmental Limited

Gérard Veilleux, O.C., D.U. [2, 3]
President
Power Communications Inc.

Committees

1. Executive Committee
   Chair, Robert Gratton
2. Audit Committee
   Chair, The Right Honourable Donald F. Mazankowski, O.C., P.C.
3. Public Policy Committee
   Chair, Susan Sherk
4. Investment Committee
   Chair, Robert Gratton

Investors Group Inc.

R. Jeffrey Orr
President and Chief Executive Officer

Michael A. Miller
Executive Vice-President, Financial Services Group

Murray Taylor
Executive Vice-President

Gregory D. Tretiak
Executive Vice-President, Finance

Gary Wilton
Executive Vice-President, Client and Information Services

Alan Joudrey
Senior Vice-President, Banking Products and Services

Murray D. Kilfoyle
Senior Vice-President, Client Services

Bill McNamee-Lamb
Senior Vice-President, Human Resources

Sandra A. Metraux
Senior Vice-President, Strategy and Corporate Marketing

Kevin E. Regan
Senior Vice-President, Financial Services Group

Ronald D. Saull
Senior Vice-President and Chief Information Officer

John Wiltshire
Senior Vice-President, Marketing – Financial Services

W. Terrence Wright, Q.C.,
Senior Vice-President, General Counsel and Secretary

I.G. Investment Management, Ltd.

A. Scott Penman
President and Managing Partner

Alan Brownridge
Managing Partner

Domenic Grestoni
Managing Partner

Mackenzie Financial Corporation

James L. Hunter, F.C.A.
President and Chief Executive Officer

Philip F. Cunningham
Executive Vice-President

President, Mackenzie Financial Services Inc.

Peter K. Hendrick
Executive Vice-President and Chief Investment Officer

W. Sian B. Brown
Senior Vice-President, General Counsel and Secretary

Andrew H. Dalglish
Senior Vice-President and Chief Operating Officer

James T. Dryburgh
Senior Vice-President and Chief Financial Officer

David B. Feather
Senior Vice-President, Marketing and Sales

Frederick H. Sturm
Senior Vice-President, Investment Management

MRS Group of Companies

Laurie J. Munro
Group President and Chief Executive Officer

Theresa E. Currie
President and Chief Executive Officer, Multiple Retirement Services Inc.

Allan M. Warren
President and Chief Executive Officer, M.R.S. Trust Company

Mackenzie Investment Management Inc.

Keith J. Carlson
President and Chief Executive Officer

Head Office

One Canada Centre, 447 Portage Avenue, Winnipeg, Manitoba R3C 3B6, Telephone: 204 943 0361, Fax: 204 947 1659

Stock Exchange Listing

Toronto Stock Exchange
Shares of Investors Group Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGI
First Preferred Shares, Series A: IGI.PR.A

Auditors

Deloitte & Touche LLP

Transfer Agent and Registrar

Computershare Trust Company of Canada
1190-201 Portage Avenue, Winnipeg, Manitoba, Canada R3B 3K6, Telephone: 888 267 6555, Fax: 204 940 4608

Annual and Special Meeting

The Annual and Special Meeting of Investors Group Inc. will be held in the Muriel Richardson Auditorium, Winnipeg Art Gallery, 300 Memorial Boulevard, Winnipeg, Manitoba, on Friday, April 26, 2002 at 11:00 a.m. Central Daylight Time.

Analyst Contact

For additional financial information about the Company, please contact:
Gregory D. Tretiak,
Executive Vice-President, Finance
Telephone: 204 956 8748, Fax: 204 956 1446
Email: greg.tretiak@investorsgroup.com

Shareholder Information

For additional information about the Company, please contact:
Donna L. Janovcik,
Associate Corporate Secretary,
Telephone: 204 956 8532, Fax: 204 949 9594
Email: corpsec@investorsgroup.com

Normal Course Issuer Bid

The Company has renewed its Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange from February 22, 2002 to February 21, 2003. During the course of the bid, the Company intends to purchase for cancellation up to but not more than 13,155,204 common shares being approximately 5% of its outstanding capital. Shareholders may obtain a copy of the Bid, without charge, by contacting the Corporate Secretary's Department at the Company's Head Office.

Website

Visit our Websites at www.investorsgroup.com and www.mackenziefinancial.com

Si vous préférez recevoir ce rapport annuel en français, veuillez vous addresser au Secrétaire du Groupe Investors Inc., One Canada Centre, 447 Portage Avenue, Winnipeg, Manitoba R3C 3B6

Investors Group Inc. is a member of the Power Financial Corporation group of companies.

This report is printed on environmentally friendly chlorine- and acid-free papers.

Designed and Produced by SUTTON JAVELIN Communications Printed in Canada

Mackenzie
Building Financial Independence®

Investors Group Inc.

Investors Group™
SOLUTIONS BUILT AROUND YOU.™